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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
FOOD AND AGRICULTURE

Trends in the international market for agricultural and tropical
products and developments on the liberalization of international
trade in agricultural and tropical products

Report of the Secretary-General

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INTRODUCTION

1. In its resolution 45/207 of 21 December 1990, the General Assembly requested the Secretary-General, in consultation with the World Food Council (WFC), the United Nations Conference on Trade and Development (UNCTAD) and the Food and Agriculture Organization of the United Nations (FAO), to submit to the Economic and Social Council, at its second regular session of 1991, an updated comprehensive report on trends in the international market for agricultural and tropical products and developments on the liberalization of international agricultural and tropical products, taking into account the share of developing countries in such trade and the possible adverse short-term effects on net-food-importing developing countries, and on the follow-up to the section on agriculture of the International Development Strategy for the Fourth United Nations Development Decade.

2. The present report is in response to that request and updates information provided in the earlier report contained in document A/45/583. Chapter I reviews recent trends in world production and trade of agricultural and tropical products, taking into account the share of developing countries in such trade, and analyses the short-term prospects for international markets, including food security. Chapter II then discusses recent developments regarding the liberalization of trade, including developments in the Uruguay Round of multilateral negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), focusing in particular on the implications for developing countries. The final chapter considers a number of issues as follow-up to the section on agriculture of the International Development Strategy for the Fourth United Nations Development Decade, adopted by the General Assembly at its forty-fifth session.

I. WORLD PRODUCTION AND TRADE OF AGRICULTURAL AND TROPICAL PRODUCTS

3. Although it is declining as a proportion of world merchandise trade since the Second World War, world trade in agricultural products, including temperate-zone and tropical products, remains substantial - amounting to about \$US 419 billion in 1990 - and is of vital importance to many countries, both exporters and importers. The general pattern of world trade in agricultural products as regards the composition of exports remains characterized by the continuing dependence of many developing countries on the export of tropical products.

4. Overall, developing countries continue to be highly dependent, in both relative and absolute terms, on the production and export of agricultural products. Whereas agriculture accounts for only 2.5 per cent of the gross domestic product in OECD countries, in 1989 it accounted for 10 per cent in Latin America and the Caribbean, 22 per cent in East Asia, 33 per cent in South Asia and 34 per cent in sub-Saharan Africa. In terms of employment, more than 60 per cent of the labour force of developing countries (Africa,

69 per cent; Latin America, 27 per cent; Near East, 41 per cent; and Far East, 61 per cent) derived their income from the agricultural sector, compared with 6 per cent in the developed market economy countries in 1989. The greater dependence of developing countries on agricultural production translates into a high dependence on agricultural exports. For the majority of developing countries, the share of agricultural products in total merchandise exports ranges from 50 per cent to 100 per cent.

5. A distinction should be made between those agricultural products which are produced chiefly by the developing countries and for which there are no close substitutes in the developed countries (e.g. tropical products such as coffee, cocoa, tea, spices, bananas and natural rubber) and those which are also produced by or have close substitutes produced by the developed countries (e.g., cereals, livestock, dairy products, edible oils and sugar). The latter category of products accounts for the bulk of world agricultural trade in value, and the developed countries are the major exporters of them, apart from sugar.

6. While developing countries are highly dependent on exports of tropical agricultural products, they are also dependent as a group, with a few exceptions, on imports of temperate agricultural products - that is, basic foodstuffs such as cereals, dairy products, meat and edible oils. Total food imports of developing countries totalled nearly \$62 billion in 1989 (see table 1). The gross food imports of net food-importing developing countries accounted for about 80 per cent of this amount, while the net food imports of such countries totalled around \$36 billion. The net food imports of low-income food-deficit countries totalled approximately \$10 billion. Twenty-eight developing countries were net exporters, with net exports of about \$19 billion in 1989.

A. Global and regional trends in production and trade

1. Production

7. At the world level, according to preliminary FAO estimates, agricultural production grew by about 1.5 per cent in 1990 with the production of food increasing slightly more slowly (see table 2). This expansion was smaller than in 1989, when agricultural production increased by more than 3 per cent - a rate above the annual average for the period 1986-1990. Regionally, production growth in 1990 among the developed countries was highest in North America, where recovery from the 1988 drought continued for the second consecutive year. A decline was experienced in both Western and Eastern Europe, including the USSR; while in Oceania output growth was positive. In the developing countries, the overall production growth rate of around 2 per cent in 1990 remained below total population growth. Production in the Near East rebounded from the sharp decline in 1989. Growth in the Far East was moderately lower than the average for the period 1986-1990; the Latin American and Caribbean region had a particularly low rate of growth, estimated at half of one per cent; and the African region suffered a decline of almost 1 per cent in agricultural output.

8. As regards the commodity composition of agricultural growth, world cereal production increased sharply in 1989-1990 reflecting large increases in North America, Asia (notably China, India and Bangladesh) and the USSR. Most major cereals participated in the increase of output in 1990. World production of wheat rose by an estimated 10 per cent, to a record of 595 million tons, mainly due to bumper crops in the United States and Canada, the USSR, the EEC, China, Turkey, and the Islamic Republic of Iran. Output of coarse grains has grown by a modest 2 per cent to 841 million tons; there were substantially larger crops in the United States, the USSR and Turkey, while there were reductions recorded in Brazil, the EEC, Australia and South Africa. Rice production has increased to a record level in 1990, almost 2 per cent higher than the very good harvest of the previous year.

9. In the developing countries as a whole, aggregate cereal output, which accounts for the bulk of their total staple food production, expanded moderately for the third year in succession. Even though production performance was good among the developing countries in Asia, there was a 10 per cent decline in South America, where cereal output has been falling for three consecutive years, and modest declines in Central America and the Caribbean and in Africa.

10. Other agricultural products also showed strong growth in 1990. World production of oilseeds, fats and oils, oilcakes and meals recovered in 1990 after the previous year's stagnation for fats and oils and decline for oilmeals. The major increase occurred in soybeans, as yields recovered from the previous year's drought in the United States and Argentina. World production was also higher for sunflower seed, lauric oils and palm oil. But there was a significantly lower production of groundnut, rapeseed, cottonseed, fish oil and fish meal. Production growth occurred largely in the developed countries due to the importance of the United States soybean crop, which increased by 24 per cent. In the developing countries, growth was a modest 2 per cent for fats and oils: Brazilian soybean production declined, and growth slowed for palm oil while oilmeal production stagnated as reduced production in India and China offset increases elsewhere.

11. With regard to other food products, world production of pulses reached a record level in 1990, with output increasing in both the developing and the developed countries. Growth in world meat production continued to be sluggish during 1990 with minimal increases in overall output in most countries and a number registering a decline; overall poultry recorded the strongest growth of any category of meat. World milk production showed a modest increase in 1990, the first increase in several years. The downward trend was halted in the EEC while output reached record levels in the USSR, the United States and India. Total sugar production rose by an estimated 2.9 per cent, reflecting higher output in developing countries. Among the beverage crops, tea production in 1990 rose above the reduced level of 1989, due to favourable weather conditions, while coffee and cocoa production remained near the levels of the previous year.

12. With regard to agricultural raw materials, world production of fibres was mixed. Global output of cotton fell, while that of jute, kenaf and allied fibres rose sharply from the low levels of the late 1980s. In the hard fibres sector, global output of sisal and henequen declined in 1990 after two years of recovery from the lowest level in several decades in 1987. There was little change in world production of cattle hides and sheepskins while goatskin output continued to increase slowly. World production of natural rubber rose in 1990, and although it fell short of world consumption for the fourth successive year, it prevented a faster drawing down of comparatively large stocks which continue to overhang the market. Global production of tobacco declined in 1990 as a result of reduced plantings in China, India, the USSR, Turkey and Brazil. The United States was the only major producing country to increase production substantially. During 1990 there were signs of a slowdown in the world forestry industry. A slackening of growth in world production and consumption was forecast, especially in North America, but not in Western Europe.

2. Trade and trends in market shares

13. The value of world trade in agricultural products grew by 4 per cent in 1990, to reach \$419 billion; in volume terms, the growth was about 2.5 per cent. This growth performance was below that for 1989 and much lower than the levels for 1988, when the volume and value of agricultural trade increased by 5 per cent and 14 per cent, respectively. As global agricultural output has continued to recover from the drought-related shortfalls of 1988, with the excellent harvest of food crops in 1990, countries - both developed and developing - were able to supply more of their food needs from domestic output. Nevertheless, 1990 marks another year when expansion of trade exceeded expansion of output. In relation to aggregate world merchandise trade, the share of agriculture in world trade has been on a declining trend since the Second World War and was reduced to 13 per cent in 1990. ^{1/} Food products account for about 80 per cent of world agricultural trade and raw materials for the remaining 20 per cent.

14. The developed market economy countries continued to dominate world trade in agricultural products in terms of both exports and imports. On the export side, the share of the developed market economy countries in world exports of food and agricultural raw materials increased from about 58 per cent to 67 per cent and from about 55 per cent to 66 per cent, respectively, between 1970 and 1989. In contrast, as can be seen from table 3, the share of developing countries in world agricultural exports declined steadily during the 1970s, rose somewhat in the period 1981-1985 and fell again in 1986-1989. Despite the overwhelming dependence of the developing countries on agricultural exports - in 1989 agricultural exports accounted for 22 per cent of non-fuel export earnings of developing countries and 52 per cent of those of least developed countries - they accounted for less than a third of world exports of all agricultural products by the end of the 1980s. Thus developing countries, which depend heavily on agricultural products for their foreign exchange earnings, are in a minority position in this export sector, often in competition with exports from developed countries. There have been substantial

losses in the world market shares of developing countries in products such as meat, cereals, sugar, processed tropical beverage products, and rubber and wood products. In recent years, as can be seen from table 4, the share of developing countries in world agricultural exports in several product categories has continued to decline.

15. On the import side, as table 3 also shows, the share of the developed countries in world imports of agricultural products generally tended to decline in the 1970s and 1980s. In the case of food products, there is a reversal of the trend since 1980 due to increased trade among developed market economy countries, particularly that of the European Economic Community (EEC), and an upward trend in Japanese food imports. In contrast, the share of developing countries in world agricultural imports has generally tended to increase. The share of developing countries in world food imports went into a downward trend during the period 1985-1987, principally due to balance-of-payments and debt-service difficulties. However, this trend has since been reversed. In 1989 the gross food imports of developing countries rose to \$61.6 billion, with their net food imports attaining the unprecedented level of \$16.7 billion. For agricultural raw material imports, both the developed market economy countries and the countries of Eastern Europe have displayed a generally declining trend in their world import share. In contrast, for the developing countries the trend has been upwards since 1970.

16. Developed market economy countries have traditionally been and still remain the major markets for the agricultural exports of the developing countries. However, these markets, increasingly protected, have grown relatively slow for such products. Since the 1970s world exports of food products to developed market economy countries have grown at a much slower rate than world exports of the same items to other groups of countries. This is in large measure a reflection of domestic agricultural policies and protection adopted by these countries, the impact of which has been to reduce dependence on imports through increased domestic production. The growth in exports of developing countries of food items to developed market economy countries has been much slower than that achieved in all other markets. As a result, the share of exports of the developing countries of food items received by developed market economy countries declined from an average of 73 per cent for the period 1966-1970 to 54 per cent in 1985-1989. The share of the latter countries in the exports of developing countries of agricultural raw materials also declined over the same period, from 65 to 55 per cent. The countries of Eastern Europe have received a basically constant share of the exports of developing countries of food products and a reduced share of agricultural raw materials between the periods 1966-1970 and 1989.

17. Given the export dependence of the developing countries on the markets of the developed countries, in so far as the former countries, especially the agricultural export-dependent ones, continue to have large and persistent balance-of-payments deficits with the developed countries (because of heavy debt-service obligations and essential capital goods imports), the developing countries will need to expand their agricultural exports to the developed countries.

B. Current situation and short-term prospects for international agricultural markets, including food security

18. International agricultural markets were affected in 1990 by the slower growth in the world economy which weakened the demand for many agricultural products, by large increases in output levels which reduced import demand and increased export availabilities, and by decreases in many commodity prices. Prices of cereals (especially wheat), milk products, coffee, hides and skins, and natural rubber were sharply lower, compared to the previous year. In some sectors export prices did not fall and there were notable increases in the export prices of meat, especially pigmeat, and the fibres, especially jute and cotton. However, these increases in the prices of fibres had little impact on export earnings since there was a corresponding decline in the volume of exports. On the other hand, in most of the commodities where prices declined, there was not a compensating increase in the volume of exports.

19. Thus earnings from commodity exports in 1990 were generally lower than in 1989. Meat was the only sector where there was a notable increase in earnings from exports. At the other extreme, export earnings from milk products were forecast to have fallen by almost as much as the decline in prices, and in cereals, the price decline was exacerbated by a decline in the volume exported which especially affected earnings from rice and coarse grains. Overall, earnings from exports of agricultural commodities were estimated to have fallen by 6 per cent.

20. Prospects for 1991 are for continuing depressed prices for many agricultural products resulting from a further increase in the quantities offered on the world market and a turndown in demand growth due to the projected decline in world economic growth. In particular it is expected that existing stocks will continue to hold back price increases for cocoa, coffee, rubber, dairy products and wool. However, forthcoming harvests will also be influential particularly for those commodities such as rice, cotton, jute and oilseeds, for which stocks are insufficient to compensate for inadequate production. There is therefore the prospect of instability in prices. The world sugar market could remain volatile and extremely sensitive to speculative forces, especially should there be sharp and unforeseen increases or decreases in world output. The world fats and vegetable oil trade could expand but with limited impact on the value of international trade. Cereal trade is expected to be influenced by weak import demand which would continue to hold prices down, a situation which also would characterize the livestock products sector.

21. For agricultural raw materials the short-term outlook remains mixed. While export prices for jute and cotton could maintain the recent higher levels, little improvement is foreseen in prices for natural rubber and hides and skins while hard fibre prices could come under increasing downward pressure. There appeared little likelihood that the forestry and fishery sectors would resume their growth rates of the past decade, which accounted for approximately 30 per cent of total trade in agricultural, fishery and forestry products.

22. As regards world food security, although there was a slight improvement at the global level in 1990, the situation has deteriorated in several low-income food-deficit countries, particularly in Africa. Estimates by FAO indicate that at the global level cereal output in 1990 exceeded consumption for the first time since 1986/87, leading to an increase in world stocks which represent 18 per cent of trend consumption, the top of the range considered by the FAO secretariat to be the minimum necessary to safeguard world food security. Although the 1990 harvest was a record for low-income food deficit countries as a whole, the increase was concentrated in Asia; cereal production declined in the low-income food deficit countries of Africa and Latin America. In Africa, in addition to the Sudan and northern Ethiopia, where the situation is critical, serious food shortages due to civil strife persist in Angola, Liberia, Mozambique and Somalia. In several Sahelian countries, food supplies are also tight following poor harvests late in 1990. In Latin America, food supply difficulties are also being encountered in several countries - notably Bolivia, Peru, Nicaragua, and Haiti. While good cereal harvests were gathered in Asia, following an excellent 1990 monsoon, adverse weather has reduced harvests in Cambodia, the Philippines, Thailand, Sri Lanka and recently Bangladesh. The conflict in the Persian Gulf region has aggravated food supply difficulties in a number of countries; special assistance is required by several of them for refugee feeding programmes. In sum, there has been an increase in both the number of countries requiring external assistance to cope with exceptional food supply difficulties and in their aggregate food aid requirements.

23. Cereal food aid availabilities in 1990/91 are expected to decline from shipments of 11.6 million tons in 1989/90 to 10.9 million tons, the lowest level since the mid 1980s and close to the minimum target of 10 million tons set by the World Food Conference in 1974. Shipments to low-income food deficit countries are expected to rise to around 8.8 million tons from last year's exceptionally low level of 7.8 million tons, when large quantities were provided to countries of Eastern Europe. Despite this recovery, food aid shipments to low-income food-deficit countries would remain low in 1990/91 in comparison with both shipments in earlier years and the assessed needs.

24. Budgetary allocations for food aid programmes of major donors for 1990/91 are expected to remain at about the same level as in the previous year. The United States, EEC, Canada and Japan alone account for over 90 per cent of the total food aid in cereals. The expected shipments by the United States during 1990/91 will amount to about 6 million tons of cereals, marginally above the level of 1989/90. Food aid in cereals by the EEC during 1990/91 financed by the regular food aid budget, and that by Canada is also expected to be marginally above last year's respective levels. The level of food aid shipments by Japan, mainly in the form of grants for purchases in third countries, during 1990/91, and those from other donor countries are also expected to be maintained at the level of the past year. Since food aid budgets are expressed in monetary terms, the actual volume of food aid shipments will further depend on the direction of prices in the course of the year.

25. The capacity of developing countries, particularly low-income food-deficit countries, to enhance their food security through trade remains precarious. With food production in these countries either stagnating or increasing at rates below population growth, the 1990/91 food imports required to maintain per capita food consumption at levels comparable to previous years are estimated at 50 million tons, about the same as in 1989/90. The ability of low-income countries to import this volume depends largely on export earnings and food aid. While food aid to such countries is expected to increase marginally in 1990/91 to about 9 million tons, the amounts provided as a percentage of their total cereal imports are much smaller than during the 1986-1988 period. While meeting their food import requirements may be eased by the current low level of international cereal prices, their capacity to import in general remains heavily restricted by their high debt-service levels and other financial and economic constraints. Export prospects are limited by the low or declining prices of their principal export commodities, the decline in economic growth in the industrialized countries, continued abundance of supplies of some export products, and barriers to trade.

II. DEVELOPMENTS ON THE LIBERALIZATION OF INTERNATIONAL TRADE IN AGRICULTURAL AND TROPICAL PRODUCTS

A. Distortions in international trade

26. The international market for agricultural and tropical products is affected by a variety of policy measures applied by Governments. These measures include border protection (tariffs, tariff escalation and non-tariff measures) to limit import access, internal support policies (subsidies in various forms to domestic producers) the effect of which is to raise domestic production higher than it would otherwise be, thus reducing domestic demand for imports or leading to higher export availability, and export subsidies (which distort competition among exporting countries). While policies falling into one or more of these categories are applied by many Governments, those applied in the markets of the industrialized countries, because of the importance of these markets in international trade, have the greatest impact on the world market.

27. Supply and demand imbalances on agricultural markets have been considerably aggravated by the agricultural policies of the major producers. A number of developed market economy countries, in particular, have pursued policies of protection and support for the agricultural sector, which have led to structural overcapacity in the agricultural sectors of these industrialized economies. Furthermore, in order to bolster domestic policy measures, Governments have instituted a variety of trade policy measures - ranging from conventional tariffs to a complex array of non-tariff measures (including variable levies, minimum prices, global and bilateral quotas, "voluntary" export restraints, sanitary and phytosanitary regulations) - to restrict imports of agricultural products. Additionally, countries that are exporters of agricultural products have also used export measures in support of domestic policy objectives. As a result of governmental policies in the agricultural sector, some developed countries which were previously major importers have increasingly become self-sufficient in agriculture or have gone beyond the stage of self-sufficiency to become large exporters of a wide range of agricultural products. An important result has been not only to reduce, or shut off, the traditional markets for developing countries but also to displace, often through subsidized exports, developing countries on world markets. Subsidized exports from developed countries have affected developing country exports, especially to third countries, of cereals, meat, dairy products, oilseeds/vegetable oils and sugar.

28. A major feature of the structure of tariffs and non-tariffs measures affecting agricultural (and in particular tropical-product) exports of developing countries is the tendency for tariffs to escalate with the stage of processing and for non-tariff measures to weigh more heavily on commodities in their processed forms. Many products of export interest to developing countries are particularly hit by such escalation of trade barriers. This has had a negative impact on the efforts of developing countries to enhance their participation in world agricultural trade in processed products.

29. The overall cost of the agricultural policies pursued by OECD countries, as measured by the sum of transfers from taxpayers (net of budget receipts from tariffs) and consumers (through higher prices), was an estimated \$251 billion in 1989. Although this was lower than the peak value of \$290 billion recorded in 1987, it was still above the already high level for the first half of the 1980s. The decline in producer subsidy equivalents (PSE) did not, however, reflect fundamental changes in governmental policy. The key influences were the recovery in some world market prices, particularly for major temperate zone commodities, and non-agricultural factors, such as changes in exchange rates. In 1990, the overall PSE level in industrialized countries was expected to rise due to an increased oversupply situation, following the recovery of output from the drought-reduced level of 1988, and to lower market prices.

30. A few changes in trade-distorting measures were reported in 1990. For example, Japan continued its market opening measures, announced in 1988, with the abolition of import quotas on sugar and sugar syrups, citrus products (purée, paste and pulp), non-citrus juices, some beef and dairy products. The United States converted its sugar import quota system into a tariff quota system, and EEC member States abolished or suspended a number of quantitative restrictions. However, at the end of 1990, non-tariff measures such as quantitative import restrictions, tariff quotas, and variable levies, as well as voluntary export restraints, anti-dumping and countervailing actions, continued to have a high incidence on agricultural products in the market of industrialized countries. For example, a count of known discriminatory export restraint-type arrangements involving GATT contracting parties indicated that at the end of 1990 the product group with the highest number of restraints is agricultural products. In addition, several industrialized countries have continued a high level of subsidization of their agricultural exports; they include United States, EEC, Switzerland, Norway, Austria, Finland, Canada and Sweden.

31. Aside from the possibility of an agreement in 1991 on multilateral agricultural reform in the Uruguay Round of the GATT negotiations, policy developments that are likely to affect agricultural markets in 1991 include the coming into force of the United States 1990 farm bill and the outcome of negotiations on the EEC's 1991/92 farm price package. The United States' Food, Agriculture, Conservation and Trade Act of 1990, which amends its Food Security Act of 1985 and other farm legislation, will shape United States agricultural and food programmes over the next five years. The legislation continues the marketing loans for cotton and rice without many changes and establishes a marketing loan for soybeans and minor oilseeds. Target prices for programme crops are frozen at 1990 levels for the next five years, eliminating their downward trend under the 1985 farm bill. Loan rates under the 1990 farm legislation formula are likely to be higher than those under the 1985 farm bill. The new farm legislation establishes a floor under dairy price support at its current level for the next five years. For sugar, while providing for at least 1.25 million short tons (raw equivalent) of imported sugar, the legislation requires that marketing controls be imposed if the United States Department of Agriculture forecasts that the domestic supply of

sugar would require imports of less than 1.25 million tons. The new farm bill extends the provisions of the Export Enhancement Programme and the Targeted Export Assistance Programme (renamed Market Promotion Programme). For 1991, maximum funding for the two programmes is set at \$425 and \$175, respectively. The United States Congress also passed an appropriation bill providing \$52.2 billion for agriculture and related agencies for fiscal year 1991.

32. At the time this report was being prepared, the Council of Agricultural Ministers of the EEC had still not reached agreement on farm prices and related measures for 1991/92. At issue are proposals by the Commission to cut farm support prices in order to keep farm spending within the "guidelines", or ceiling, of ECU 32.5 billion (\$40 billion), fixed by EEC heads of States in 1988. The EEC agriculture commissioner has reportedly indicated that if no action were taken to reduce prices and cut overproduction, EEC stockpiles of surplus produce would grow in 1991 to 28 million tonnes of cereal (from a record of 20 million tonnes in current storage), to 1 million tonnes of butter and skimmed milk (from 725,000 tonnes) and to a record 1 million tonnes of beef (from 750,000 tonnes, currently). 2/

B. Progress in the Uruguay Round and the implications
for developing countries

33. The Uruguay Round of multilateral trade negotiations, under the auspices of GATT, in which efforts have been made since 1986 to liberalize international trade in agriculture and tropical products, was scheduled to conclude in December 1990. However, owing to continuing wide differences of views among major participants in some key areas of the negotiations - including, in particular, agricultural reform - it was not possible to conclude the Round as planned, at the Brussels Ministerial Meeting of the Uruguay Round (3-7 December 1990).

34. In agriculture, major differences of views and unresolved issues related to:

(a) The size and duration of the commitment to be entered into to reduce domestic agricultural support, border protection and export subsidies;

(b) The modalities of reduction, including which subsidies and protective measures should be reduced;

(c) Which products precisely should be covered;

(d) How special and differential treatment for developing countries should be given effect.

At one end of the spectrum some countries have insisted on a 75-90 per cent reduction commitment, to be implemented over a 10-year period, while at the other end, some countries have maintained that reduction commitments should be

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limited to 20-30 per cent, implemented over a five-year period. Given this basic disagreement, not much progress was made on the other unresolved issues at Brussels.

35. In February 1991, participating countries decided to resume the Uruguay Round negotiations broken off at the end of the Brussels Meeting. In the agreed work programme for continuing the Uruguay Round negotiations, participants undertook, with respect to agriculture, to achieve specific binding commitments in each of the following areas - domestic support; market access; export competition - and to reach an agreement on sanitary and phytosanitary issues. An agenda for consultations was agreed upon, on the following issues:

(a) In the area of domestic support: a means of determining the policies that shall be excluded from the reduction commitment, the role and definition of an Aggregate Measurement of Support and equivalent commitments, a means of taking account of high levels of inflation faced by some participants, and the reinforcement of GATT rules and disciplines;

(b) In the area of market access: the modality and scope of tariffication, the modalities of possible special safeguards for agriculture, the scope and modalities of implementation of a minimum access commitment, the treatment of existing tariffs, and the reinforcement of GATT rules and disciplines;

(c) In the area of export competition: a definition of export subsidies to be subject to the terms of the final agreement, including the development of means to avoid the circumvention of commitments while maintaining adequate levels of food aid, and the reinforcement of GATT rules and disciplines;

(d) In the area of sanitary and phytosanitary measures: further refinement of a number of technical provisions and procedures;

(e) In each of these areas, the particular concerns of developing countries, of net food importing developing countries, and those relating to food security will be examined.

36. With regard to tropical products, it was envisaged that the Brussels Ministerial Meeting would adopt a single market-access protocol incorporating the results of the Uruguay Round negotiations in a number of areas: tariffs, non-tariffs measures, natural resource-based products and tropical products. It was hoped that the bilateral market-access negotiations would be completed by the end of the Brussels Meeting, but they were not. There were also two points in the draft protocol which remained to be settled - i.e., reference to the application of article XXVIII of the GATT in cases of modification or withdrawal of non-tariff concessions; and the period of implementation of tariff concessions. (Most delegations favoured five annual cuts, beginning 1 January 1992, while some requested a larger period.)

37. In resuming negotiations on market access, the work programme agreed upon in February 1991 committed participants to review the status of bilateral and plurilateral market access negotiations and proposals and offers currently on the table, including those in tropical products and natural resource-based products. Under the former, delegations would be invited to give oral reports on the bilateral and plurilateral market-access negotiations which they had been holding before, at and since the Brussels Meeting. A total of 50 participants submitted proposals on tariffs and tropical products. The review of current proposals was a process that took place prior to Brussels, separately in the tariff and the tropical products negotiating groups.

38. Although the Uruguay Round negotiations were formally resumed in February 1991, they have not taken off in earnest due to a wait-and-see attitude on the part of many delegations, stemming from the uncertainty regarding extension of the "fast-track" authority granted by the United States Congress to the President. Under fast-track procedures, the Congress must accept or reject a trade agreement negotiated by the President as a whole, with no option to amend. It has until 31 May 1991 to refuse an extension.

39. It remains to be seen what outcome the resumed negotiations will produce. However, it would seem that the mid-term decision concerning developing countries will need to be given concrete expression. In that decision, taken at the Uruguay Round Mid-term Review in 1988, in the area of agriculture, it was agreed that:

(a) Special and differential treatment to developing countries remained an integral element of the negotiations, particularly on the strengthened and more operationally effective GATT rules and disciplines;

(b) Government measures on assistance, whether direct or indirect, to encourage agricultural and rural development were an integral part of the development programmes of developing countries;

(c) Ways should be developed to take into account the possible negative effects of the reform process on net food-importing developing countries.

40. A number of empirical studies have indicated that the elimination or reduction of governmental agricultural support measures and protection in industrialized countries would go a long way towards improving the long-term prospects for increasing the share of developing countries in world agricultural trade. However, the reform process in agriculture is likely to lead to higher world food prices, at least for a transitional period, with adverse consequences over a period of time for the external position and welfare of net-food importing countries, especially low-income food-deficit countries. Also, empirical analyses suggest that for a transitional period, some developing countries, in particular those in Africa and the least developed countries, could suffer export losses in tropical products from the erosion of trade preferences. These eventualities point to the need in the reform process to take into account the special role of agriculture in the development process and the need in developing countries to encourage food

production for feeding their population, as well as to adopt measures to offset the possible adverse effects of the reform process on net food-importing developing countries and on low-income countries likely to suffer significant export losses due to the erosion of preferential margins.

III. FOLLOW-UP TO THE SECTION ON AGRICULTURE OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE

41. The second regular session of the Economic and Social Council in 1991 is meeting approximately six months after the adoption of General Assembly resolution 45/199 on the International Development Strategy for the Fourth United Nations Development Decade. While it is perhaps too early to formulate a detailed assessment of progress in implementing the Strategy as concerns agriculture, the paragraphs below review briefly some of the latest available information on developments and trends which would be relevant to such an assessment.

A. Towards meeting the growth target

42. The agriculture section of the Strategy emphasizes the importance of raising agricultural output in developing countries, both as a means to revitalize their economic growth in the 1990s and to strengthen their food security and self-reliance in food. While not formally setting any target rate of growth for agricultural or food production in developing countries, the Strategy maintains that "an annual rate of growth of the order of 4 per cent on average in food production would make a major contribution to food security and support agro-industrial development". Recent trends in food and agricultural production, reported in chapter II (see table 2), indicate that annual growth rates over the past five years (1986-1990) for developing countries as a whole fell far short of the 4 per cent indicative rate. The Far East region, with a growth of 3.5 per cent and 3.3 per cent in food and in agricultural production, respectively, was the only developing region that came close to the target rate.

43. Annual changes in the agricultural production of developing countries, by country and region, are indicated in table 5, for the period 1988-1990. Out of a total of 107 developing countries for which information was available, only 30 countries (28 per cent) had annual growth rates of agricultural production of 4 per cent or more for the 1988-1990 period. On a regional basis, the number of countries was eight in sub-Saharan Africa, eight in Latin America and the Caribbean, four in the Near East, and 10 in the Far East. Information on per capita food production for the most recent period (1989/90) are shown in table 6. As will be noticed, food production lagged behind population growth in 63 out of 107 developing countries (70 per cent) in 1989/90. In sum, if developing countries were to achieve an annual average rate of growth of 4 per cent in food production during the 1990s, then based

on projections of annual average population growth by country for the 1990s, 3/ all developing countries (except perhaps three or four) would register positive per capita growth in food production in the 1990s.

B. National action to raise agricultural production and productivity in developing countries

44. While recognizing that "the great diversity of country situations means that there is no single set of policies of general applicability" 4/ for raising agricultural production and productivity in developing countries, Development Strategy notes that policies and measures based on certain considerations will be of broad applicability. Chief among them is the consideration that "success in reaching the potential for raising agricultural productivity requires a farming population possessed of the knowledge, the incentives and the means required for this purpose". 5/ As mentioned above, it is perhaps too early to attempt an assessment of how countries are implementing the Strategy. Accordingly, only a broad overview of recent developments in policies and measures taken by developing countries which have a bearing on raising agricultural production and productivity is given here.

45. Since the early 1980s, agriculture policy developments in developing countries have been largely influenced by macroeconomic policies designed to rectify internal and external imbalances. Many developing countries have embarked upon some form of stabilization and structural adjustment programme with the general objectives of reducing current account and fiscal deficits, and reducing governmental intervention in market mechanisms. Agriculture sector-specific policies have included changes in the structure of incentives (price and non-price), trade liberalization designed to bring domestic prices in line with "border" prices, deregulation and privatization of trade and market channels.

46. Recent developments in the agricultural policies of developing countries have seen a continuation of the previous trend towards liberalizing trade, either through allowing greater private-sector participation or by reducing subsidies and taxes. In 1989 and 1990, several countries lowered or eliminated import duties on food products (e.g., Argentina, Congo, Costa Rica, and Sierra Leone), while others replaced non-tariff measures such as import quotas and licences by tariffs (e.g., Colombia, Costa Rica and Sierra Leone). In addition, legislation to facilitate the increased participation of the private sector in external trade was undertaken by Colombia, Costa Rica and Yemen. In both the United Republic of Tanzania and Zambia, private traders are now allowed to obtain licences for international transactions in cereals, following the rescinding of monopoly powers previously held by parastatals.

47. Recent production policy changes have been designed primarily to raise output, particularly in developing importing countries. In a number of cases this involved improved price incentives, and in others the introduction or reinforcement of non-price measures. For example, real support prices for wheat were raised in Algeria, Egypt and Tunisia in order to promote domestic

production, as were paddy prices in Guatemala, Honduras, the Philippines and Sri Lanka. In Malaysia, paddy prices were increased for the first time in 10 years, while in Mexico a premium was introduced for white over yellow maize.

48. Regarding non-price measures, following a fall in output of many food commodities in 1989/90, partly a result of inadequate finance prior to planting, Brazil this year once again attempted to promote production through provision of greater credit availability and lower interest rates, as well as a 50 per cent cut in import tariffs on fertilizers and agricultural equipment. In order to promote maize production, seeds were distributed free of charge in the Côte d'Ivoire, together with improved provision of technical assistance and credit. The Philippines launched a Rice Action Programme focusing on almost a third of its provinces, involving provision of infrastructural and marketing services. Similar, non-price policies intended to raise paddy production were introduced in Bangladesh, by enhancing the distribution of fertilizers; in India, where a scheme for the integrated development of rice production was implemented in 19 states; in Indonesia, through a considerable increase in governmental spending on irrigation; and in Viet Nam, where the Government reduced the extent to which farmers are taxed on their output.

C. International action

49. The Strategy notes that a number of steps are also needed at the international level to promote agricultural development during the Decade. In particular, it states that "finance for investments in the agricultural sector and technical assistance should form part of programmes for development co-operation, both bilateral and multilateral". 6/ In line with earlier remarks concerning assessment of the implementation so far of the Strategy, the present section reviews recent trends in external assistance to agriculture in developing countries.

50. Total commitments of external lending to agriculture dropped to about \$14.7 billion in 1989, which is the latest year for which complete coverage is available (see table 7). At nominal prices this amount is 8 per cent less than in 1988 and slightly higher than 1986 and 1987 levels. If total commitments are deflated by prices of manufactured goods, in real terms 1989 shows a decrease of 8 per cent in relation to 1988, 5 per cent in relation to 1987 and 15 per cent in relation to 1986. During the past few years, however, there has been an increase in the share of grants in total commitments, from 23 per cent in 1986 to 30 per cent in 1989.

51. An increase of bilateral assistance from the OECD Development Assistance Committee (DAC) from 1986 to 1988 has more than offset the sustained decline of multilateral commitments. In 1989 bilateral assistance dropped by 13 per cent, following an increase of about 27 per cent in 1988, reflecting Japan's intentions to raise the share of its official development assistance in OECD's total, in line with Japan's share of GDP in DAC countries. EEC lending, after a notable increase in 1987 and 1988, has shown a decrease in 1989 of about 20 per cent in relation to 1988.

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52. For multilateral lending, estimates are available up to 1990. With an estimate of \$7.2 billion in 1990, multilateral commitments of external assistance to agriculture fell by almost 18 per cent from 1986. In 1990 World Bank lending increased by about 8 per cent, mainly due to a steady increase in IDA lending that more than offset an IBRD lending decrease.

53. Lending from regional banks fell in 1990, reflecting mainly a low level of commitments signed by the Asian Development Bank, which contrasted with the higher levels of commitments signed by the Inter-American Development Bank.

54. Total disbursements of external lending to agriculture dropped to about \$12.3 billion in 1989 (see table 7). At nominal prices this amount is 13 per cent less than in 1988 and 1 per cent more than in 1987. If total disbursements are deflated by prices of manufactured goods, in real terms 1989 shows a decline of 13 per cent in relation to 1988, of 5 per cent in relation to 1987 and of 14 per cent in relation to 1986. During the past few years there has been an increase in the share of grants in total disbursements from 34 per cent in 1986 to 40 per cent in 1989.

55. The increase of bilateral assistance from the OECD Development Assistance Committee from 1986 to 1988 was followed by a decline in 1989, when bilateral assistance dropped by more than 7 per cent over 1988. Japan's disbursements in 1989 were about 23 per cent of the total DAC disbursements.

56. For multilateral disbursements, estimates are available up to 1990. With an estimate of \$6.5 billion in 1990, multilateral disbursements of external assistance to agriculture fell by almost 14 per cent from 1988. In 1990 IBRD disbursements increased by about 5 per cent and IDA disbursements by about 18 per cent.

57. Lending from regional banks fell slightly in 1990, mainly reflecting the low level of disbursements of the African Development Fund and African Development Bank.

Notes

1/ Since the Second World War, the value of world trade in agriculture has not declined in absolute terms, but its growth has been much slower than that of the world trade in other products, both because of slower growth of the volume of trade and because of a declining trend in world prices of agricultural products relative to the prices of other merchandise, particularly manufacturers.

2/ See Financial Times (24 April 1991).

3/ See, for example, UNDP, Human Development Report, 1990 (New York, Oxford University Press, 1990).

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Notes (continued)

- 4/ General Assembly resolution 45/199, annex, para. 72.
- 5/ Ibid., para. 73.
- 6/ Ibid., para. 77. The Strategy also calls, at the international level, for the removal of existing distortions in international trade in agriculture. Existing distortions in international trade and current efforts to remove them are reviewed in chapter II of this report.

Table 1. Aggregate food trade of developing countries, 1989 ^{a/}

(In millions of United States dollars)

	Gross food ^{b/} imports	Gross food exports	Net food imports
Developing countries (132)	61 630.1	44 936.6	16 693.5
Net exporters (28) ^{c/}	12 550.0	31 406.9	-18 856.9
Net importers (104)	49 080.1	13 529.7	-35 550.4
Low-income food deficit countries ^{c/}	19 733.9	9 778.8	9 955.1
World	216 202.1		

Source: FAO Agrostat files and UNCTAD calculations.

Note: Negative sign (-) indicates net exports.

^{a/} Data rounded.

^{b/} "Food" is defined by FAO as all products that are considered edible and contain nutrients in their raw or processed forms. For the present purposes, the following commodities have been excluded: cocoa beans and products and other tropical beverages, fish and fishery products, feeding stuffs (SITC 08), alcoholic beverages, tropical fruits and spices, and live animals.

^{c/} FAO has identified 69 countries as low-income food-deficit - that is, food-deficit countries with per capita GNP less than \$940 (in 1987 prices), which is the cut-off level for eligibility for IDA assistance.

Table 2. Annual changes in food and agricultural production,
1985-1989

(Percentage)

				Average annual change	
	1988	1989	1990	1981-1985	1986-1990
Food					
Africa	5.2	3.2	-0.6	2.7	2.5
Far East	5.4	4.5	3.1	4.6	3.5
Latin America	5.5	1.5	0.3	2.8	1.9
Near East	5.9	-9.0	7.1	3.2	1.7
Total, developing countries	5.4	2.7	2.4	3.8	2.9
North America	-7.6	11.6	2.7	3.1	-0.1
Oceania	4.2	-2.2	0.6	2.9	0.3
Western Europe	-1.6	1.4	-0.4	1.0	0.3
EEC (12)	-1.8	1.3	-0.1	1.0	0.4
Eastern Europe	0.6	0.5	-2.5	2.2	-0.1
USSR	-1.2	4.1	-0.4	2.1	2.0
Total, developed countries	-2.9	4.7	0.3	1.9	0.4
World	1.5	3.6	1.4	2.8	1.7
Agriculture					
Africa	4.9	3.2	-0.8	2.7	2.5
Far East	5.5	4.3	2.8	4.8	3.3
Latin America	4.5	1.1	0.5	2.8	1.7
Near East	6.1	-8.6	6.8	2.9	1.6
Total, developing countries	5.3	2.5	2.2	4.0	2.7
North America	-7.1	10.3	3.6	3.2	-
Oceania	4.1	-1.7	2.9	2.9	1.0
Western Europe	-1.5	1.3	-0.3	1.0	0.3
EEC (12)	-1.6	1.2	-	1.1	0.4
Eastern Europe	0.3	0.1	-2.4	2.2	-0.2
USSR	-0.9	3.7	-0.6	2.0	1.8
Total, developed countries	-2.6	4.2	0.7	1.9	0.4
World	1.6	3.2	1.5	2.9	1.6

Source: FAO.

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Table 3 (continued)

	Developing countries	Developed market economy countries						Socialist countries				
		EEC a/		Japan		EFTA a/		Total	Eastern Europe		Asia	World
		USA				Others						
Imports	1970	11.4	42.0	9.3	16.7	4.0	4.2	76.3	11.3	1.0	100	
	1975	14.4	39.4	9.0	16.2	4.7	4.4	73.7	10.5	1.5	100	
	1980	15.7	39.4	7.9	18.3	4.3	3.8	73.8	7.4	3.2	100	
	1985	18.7	35.7	11.2	15.2	4.4	4.4	70.9	7.8	2.5	100	
	1986	18.2	37.7	10.5	14.0	5.1	4.3	72.4	6.8	2.6	100	
	1987	18.4	37.7	9.8	16.4	5.2	3.9	73.0	6.2	2.5	100	
	1988	18.4	37.1	9.7	16.9	5.0	3.7	72.4	6.3	2.8	100	
	1989	18.8	36.9	10.3	18.1	4.6	2.8	72.6	5.3	3.3	100	

Source: UNCTAD, *Commodity Yearbook*, 1991 (forthcoming).

a/ Prior to 1970, the members of EEC were Belgium, France, Federal Republic of Germany, Italy, Luxembourg, Netherlands; the members of EFTA were Austria, Denmark, Iceland, Norway, Portugal, Sweden, Switzerland, United Kingdom. In 1970, Denmark, Ireland and the United Kingdom became members of EEC; in 1980, Greece, Spain and Portugal were added. EEC figures include intra-trade.

Table 4. Share of developing countries in world agricultural exports, by product category

(Percentage)

	1979-1981	1983-1985	1987-1989
Cereals	13	15	12
Meat	14	14	12
Dairy products	2	2	2
Edible oils	44	48	46
Sugar	61	68	55
Tropical beverages	85	84	79
Spices	81	80	75
Tobacco (unmanufactured) and roots	43	44	44
Tropical fruits and nuts	72	73	71
Rubber and tropical wood	77	73	74
Jute and hard fibres	78	75	--
Fishery products	38	41	42

Source: FAO, Trade Yearbook and UNCTAD calculations.

Table 5. Percentage change in agricultural production,
1987-1990

Country	1987/88	1988/89	1989/90	1987-1990
Botswana	31.52	-1.08	-1.28	9.72
Zimbabwe	29.02	-7.33	1.54	7.74
Benin	17.32	8.86	-3.44	7.58
Niger	29.96	-10.54	-2.68	5.58
Togo	9.85	10.41	-3.84	5.47
Nigeria	7.05	8.34	0.53	5.32
Mali	12.50	2.66	0.30	5.15
Kenya	9.71	0.77	4.08	4.85
Uganda	7.82	2.15	0.94	3.64
Central African Republic	5.72	3.72	1.22	3.55
Malawi	7.84	3.63	-1.25	3.41
Zambia	22.90	-0.20	-13.87	2.94
Burkina Faso	12.49	-2.21	-1.92	2.79
Gabon	4.17	1.96	2.01	2.71
Lesotho	17.59	-14.61	4.07	2.35
Ethiopia	1.20	3.46	2.39	2.35
Chad	10.03	-4.87	1.07	2.08
Namibia	-0.84	4.40	2.51	2.02
Somalia	4.33	3.17	-1.61	1.96
Comoros	2.37	1.24	2.04	1.88
Zaire	2.96	1.92	0.71	1.86
Mozambique	1.46	3.08	0.84	1.79
Madagascar	0.43	2.75	1.92	1.70
Congo	2.96	-4.03	6.16	1.70
Sudan	25.73	-22.10	1.32	1.65
Gambia	-2.55	11.45	-4.05	1.62
Côte d'Ivoire	7.02	-0.23	-2.34	1.48
Guinea	0.27	-2.98	7.08	1.46
Cameroon	6.19	-5.25	2.77	1.24
Ghana	8.14	0.75	-5.32	1.19
United Republic of Tanzania	1.37	6.82	-5.04	1.05
Swaziland	4.23	-2.07	0.16	0.77
Guinea-Bissau	-0.08	1.67	0.49	0.69
Mauritania	3.56	2.12	-4.41	0.42
Rwanda	1.23	1.68	-2.75	0.05
Sierra Leone	-4.68	1.23	3.08	-0.12
Mauritius	-6.58	0.18	3.83	-0.86
Angola	-0.90	-2.51	0.21	-1.07
Senegal	-12.27	12.55	-6.39	-2.04
Burundi	-0.72	-4.18	-2.60	-2.50
Cape Verde	-6.38	-7.38	4.97	-2.93
Liberia	-0.90	-0.66	-22.72	-8.09

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Table 5 (continued)

Country	1987/88	1988/89	1989/90	1987-1990
<u>Latin America</u>				
Paraguay	19.65	8.85	2.24	10.25
Chile	5.24	8.87	5.71	6.61
Honduras	8.57	1.25	8.37	6.06
Ecuador	11.62	2.23	1.82	5.22
Colombia	4.61	6.79	3.81	5.07
Belize	-3.17	5.99	10.34	4.39
Costa Rica	1.92	5.40	5.69	4.34
Uruguay	6.56	7.37	-1.53	4.13
Guatemala	4.36	4.98	0.76	3.37
Bolivia	7.14	0.91	1.80	3.28
El Salvador	-7.25	2.47	14.23	3.15
Argentina	10.58	-0.74	-1.85	2.66
Mexico	4.85	-2.48	5.53	2.63
Trinidad and Tobago	20.15	-25.46	13.17	2.62
Venezuela	5.46	-0.33	0.17	1.77
Nicaragua	-2.71	4.87	1.86	1.34
Panama	-9.49	7.45	3.92	0.63
Cuba	4.23	0.18	-2.79	0.54
Suriname	-4.49	4.81	1.07	0.46
Barbados	5.03	-5.64	1.95	0.45
Dominican Republic	2.59	7.39	-10.40	-0.14
Brazil	1.64	4.47	-6.93	-0.27
Peru	9.04	-1.20	-10.56	-0.91
Haiti	-1.81	-0.46	-2.03	-1.43
Jamaica	-3.34	-5.60	1.58	-2.45
Guyana	-4.06	-11.30	7.38	-2.66
<u>Asia</u>				
Fiji	5.01	15.08	2.54	7.54
Lao People's Democratic Republic	-1.63	14.73	8.71	7.27
India	12.81	6.40	-1.03	6.06
Cambodia	14.45	2.90	0.57	5.97
Viet Nam	2.52	8.09	4.55	5.05
Nepal	15.43	1.52	-2.06	4.96
Malaysia	7.26	4.55	2.53	4.78
Indonesia	4.35	5.22	4.63	4.73
Bangladesh	-1.06	12.83	1.75	4.51
Singapore	-15.38	25.68	3.13	4.48
Pakistan	3.30	6.54	2.60	4.15
Papua New Guinea	4.85	5.84	0.54	3.74

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Table 5 (continued)

Country	1987/88	1988/89	1989/90	1987-1990
Hong Kong	-4.60	11.82	3.89	3.70
China	1.76	2.56	6.67	3.66
Thailand	10.29	3.11	-3.40	3.33
Philippines	2.04	3.99	3.56	3.20
Sri Lanka	3.95	-3.60	6.01	2.12
Mongolia	0.85	5.36	-0.18	2.01
Democratic People's Republic of Korea	1.96	0.64	2.31	1.64
Samoa	-1.36	-0.39	5.93	1.39
Tonga	1.96	0.29	1.73	1.33
Republic of Korea	9.09	-0.27	-10.63	-0.60
Brunei Darussalam	-3.98	-9.30	0.85	-4.14
Myanmar	-8.79	-10.73	1.05	-6.16

Near East and North Africa

Saudi Arabia	171.13	-2.32	0.00	56.27
Syrian Arab Republic	30.64	-32.48	26.54	8.23
Cyprus	16.60	0.81	2.14	6.52
Morocco	24.30	1.68	-8.25	5.91
Yemen	13.24	-3.36	-1.65	2.74
Lebanon	-4.77	9.64	2.91	2.59
Iraq	-3.29	4.43	5.87	2.34
Egypt	3.08	0.14	3.55	2.26
Turkey	6.17	-6.71	7.28	2.25
Libyan Arab Jamahiriya	-1.22	0.76	3.48	1.01
Afghanistan	2.53	-3.29	2.06	0.43
Jordan	6.73	-10.57	5.10	0.42
Tunisia	-26.71	19.51	7.58	0.13
Algeria	-9.71	3.95	2.43	-1.11
Iran	-4.17	-5.00	3.28	-1.96

Source: FAO.

Table 6. Annual rate of change in per capita food production,
by developing country, 1989-1990

Percentage	Country	Number of countries
Over 10	Mauritius, Syrian Arab Republic	2
5.01 to 10	Argentina, Cape Verde, Guatemala, Guyana, Samoa, Sri Lanka, Tunisia	7
3.01 to 5	Bhutan, China, Guinea, Lao People's Democratic Republic, Malaysia, Myanmar, Turkey	7
0.1 to 3	Algeria, Barbados, Bangladesh, Belize, Burundi, Chile, Colombia, Cyprus, Egypt, El Salvador, Haiti, Indonesia, Iran, Iraq, Jordan, Lesotho, Libyan Arab Jamahiriya, Pakistan, Panama, Philippines, Sierra Leone, Singapore, Sudan, Togo, Tonga, Venezuela, Viet Nam, Zimbabwe	28
0 to -3	Angola, Bolivia, Brunei Darussalam, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Comoros, Congo, Costa Rica, Dominican Republic, Ecuador, Ethiopia, Fiji, Gabon, India, Kenya, Kampuchea, Democratic People's Republic of Korea, Madagascar, Maldives, Mali, Mexico, Mozambique, Namibia, Nigeria, Papua New Guinea, Paraguay, Guinea-Bissau, Puerto Rico, Saudi Arabia, Somalia, Suriname, Swaziland, Trinidad and Tobago, Uganda, Zaire	40
-3 to -5	Botswana, Burkina Faso, Cuba, Honduras, Mauritania, Mongolia, Nicaragua, Senegal	8
-5.01 to -10	Benin, Brazil, Jamaica, Republic of Korea, Malawi, Morocco, Nepal, Niger, Peru, Rwanda, Thailand, United Republic of Tanzania, Uruguay, Yemen	14
Below -10	Gambia, Ghana, Liberia, Zambia	4
	Total	107

Source: FAO.

Note: Based on information available up to 19 February 1991.

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Table 7. Commitments and disbursements of external assistance to agriculture (broad definition), 1985-1989
(Millions of United States dollars)

Donors	Total commitments				1990 a/	Total disbursements				
	1986	1987	1988	1989		1986	1987	1988	1989	1990 a/
At current prices										
Total commitments/disbursements of which grants	(14 405) (3 294)	(14 491) (4 450)	(15 997) (4 963)	(14 720) (4 469)	..	(11 934) (4 120)	(12 206) (4 980)	(14 187) (5 675)	(12 360) (4 989)	..
Bilateral of which grants	(5 683) (2 715)	(6 757) (3 888)	(8 592) (4 323)	(7 488) (3 800)	..	(5 160) (3 550)	(5 790) (4 430)	(6 690) (5 070)	(6 225) (4 360)	..
Multilateral of which grants	8 722 579	7 734 562	7 405 640	7 232 669	7 185 (670)	6 774 570	6 416 550	7 496 605	6 135 (629)	6 460 (630)
World Bank	5 520	4 045	3 951	4 045	4 354	4 163	3 882	4 749	3 380	3 716
IBRD	4 636	2 632	2 189	2 596	2 337	2 787	2 532	2 943	2 204	2 324
IDA	884	1 413	1 762	1 449	2 017	1 376	1 350	1 806	1 176	1 392
IFAD	131	216	176	240	302	244	234	203	194	198
Regional development banks	2 091	2 663	2 483	2 077	(1 792)	1 665	1 620	1 784	1 743	(1 726)
OPEC multilateral	425	272	216	280	(147)	(150)	(150)	(180)	(228)	(230)
UNDP/FAO/OGIAR	551	530	578	(590)	(590)	551	530	580	(590)	(590)
At constant 1985 prices b/										
Total commitments/disbursements of which grants	12 004 (7 745)	10 734 (3 296)	11 109 (3 446)	10 222 (3 104)	..	19 944 3 433	9 042 3 689	9 852 3 941	8 583 3 465	..
Bilateral of which grants	4 736 2 262	50 005 2 880	5 967 3 002	5 200 2 639	..	4 300 2 958	4 289 3 281	4 646 3 521	4 323 3 028	..
Multilateral of which grants	7 268 483	5 729 416	5 142 444	5 022 465	4 519 421	5 644 475	4 753 407	5 206 420	4 260 437	4 063 396

Source: FAO, Statistics Division, and OECD.

Note: () Including partial estimates.

à/ Preliminary data.

b/ Deflated by United Nations index of unit value of exports of manufactured goods; 1985 = 100.



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REPORT OF THE SOUTH COMMISSION

Note by the Secretary-General

1. In its resolution 45/195 of 21 December 1990, the General Assembly, taking note with appreciation of the report entitled The Challenge to the South: The Report of the South Commission 1/ and the overview and summary of the South Commission report (A/45/810 and Corr.1), requested the Secretary-General, in consultation with the President of the Economic and Social Council, to convene, during the second regular session of 1991 of the Council, a meeting devoted to an informal exchange of views on the conclusions and recommendations contained in the report of the South Commission, in particular, in its overview and summary. The Assembly invited Governments and the organs, organizations and bodies of the United Nations system to submit their views on those conclusions and recommendations for consideration at that meeting of the Council.

2. The Secretary-General has the honour to transmit to the members of the Council the substantive views of bodies of the United Nations system and of Governments received as at 5 June 1991, which are reproduced in the annex to the present note. Further replies received will be presented as addenda to the present note.

1/ Oxford and New York, Oxford University Press, 1990.

Annex

REPLIES RECEIVED FROM GOVERNMENTS AND FROM
BODIES OF THE UNITED NATIONS SYSTEM

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I. REPLIES RECEIVED FROM GOVERNMENTS

Algeria

[Original: French]

1. Algeria welcomes and endorses the lucid analysis and relevant recommendations of the South Commission Report entitled "The Challenge to the South".
2. Setting up the South Commission under the chairmanship of Mwalimu Julius K. Nyerere, former President of the United Republic of Tanzania, was, without a doubt, an original initiative unprecedented in the contemporary history of South-South cooperation.
3. The establishment of this Commission, composed of 28 key figures from the South, in the mid-1980s - a decade appropriately described as a total loss as regards the development of developing countries - was in itself eloquent evidence of the determination of the countries of the South to spare no effort in their quest for the path to development and sustainable economic growth best adapted to their needs and to their specific realities.
4. The establishment of such a Commission, composed exclusively of personalities from the South, has shown how to strengthen the principle of self-reliance and attain individual and collective self-reliance for the developing countries through greater use of their own potential for economic complementarity.
5. Thus, the good point about the South Commission Report - the result of more than three years of hard work - is that it has shed new light on the variety of, as yet largely unexplored, potentialities inherent in the furtherance of South-South cooperation, reactivated by a new vision of development which puts people at the centre of its range of activities.
6. In so doing, the South Commission Report comes as a timely addition to past initiatives undertaken by developing countries, within the framework of the Movement of Non-Aligned Countries and the Group of 77, with a view to establishing dynamic horizontal cooperation.
7. These initiatives include the Arusha Programme for Collective Self-Reliance and Framework for Negotiations adopted at the Fourth Ministerial Meeting of the Group of 77, and the Caracas Programme of Action on Economic Cooperation among Developing Countries (A/36/333 and Corr.1, annex), whose institutional support and follow-up mechanisms, including the Intergovernmental Follow-up Coordination Committee (IFCC), will have largely contributed to setting up the Global System of Trade Preferences (GSTP) among developing countries.
8. Thus, the South Commission Report, while providing a lucid and unaccommodating review of the efforts as well as the mistakes made by

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developing countries over the years, brings a message of hope as regards the individual and joint capacities of the countries of the South to deal with the numerous challenges awaiting their populations.

9. The three-part agenda of action proposed by the South Commission is intended to be the instrument for fulfilling that hope in that it could lead to the establishment of an authentic system of economic interdependence based on maximum mobilization of the resources and markets of the countries of the South.

10. None the less, while the success of this innovative agenda depends on mobilizing the efforts of the countries themselves, it is also dependent on a substantial improvement in the international economic environment which continues to weigh heavily on the vulnerable economies of the countries of the South.

11. For any development strategy in the countries of the South to succeed, the international economic environment must be improved by eliminating its disastrous effects on the economic growth of the weakest links in the chain of nations.

12. Accordingly, the international community should brace itself to consider the specific recommendations addressed to it in chapter V of the South Commission Report. Their effective implementation would, without a doubt, lead to renewed North-South and South-South international economic cooperation.

13. The United Nations, true to its own ideal, is duty-bound to contribute to that task by intensifying its activities for promoting South-South cooperation.

14. The informal exchange of views to be held during the second regular session of the Economic and Social Council in 1991 pursuant to the relevant provisions of General Assembly resolution 45/195 is an appropriate device for considering such a contribution.

Austria

[Original: English]

1. The delegation of Austria expressed itself positively on the report of the South Commission during the discussions that took place at the forty-fifth session of the General Assembly. It is essential that the developing countries become fully aware of the need to assume responsibility for their own development. This seems to be the primary premise of the report. We welcome it as a positive signal.

2. The report displays a relatively high degree of realism. It denounces the unfavourable global economic environment but is, at the same time, ready to admit that the chances of altering it are slim: "The South cannot count on

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a significant improvement in the international economic environment for its development in the 1990s. The development of the South will therefore need to be fuelled by its own resources to a much greater degree than in the past" (The Challenge to the South, p. 79).

3. The report dedicates considerable space to a self-critical analysis of past development experience. In trying to answer the question "What went wrong?" it draws some frank conclusions. The Government of Austria would particularly agree with the statement that "the uncritical imitation of Western models has weakened resilience and cohesion" in developing countries and that "development strategies have often failed to utilize the enormous reserves of traditional wisdom and of creativity and enterprise in the countries of the Third World" (The Challenge to the South, p. 46).

4. The Government also agrees with the main development objectives defined in the report - that growth strategies are to be based upon such principles as the modernization of agriculture, fairer distribution of income, democratization and the guarantee of human rights, mobilization at the grass-roots level, encouragement of entrepreneurship, greater efficiency of the public sector, enhancement of the role of women and an effort to substitute indigenous cultural values for the life-styles and consumption patterns of the affluent industrial societies (The Challenge to the South, pp. 80 and 81). This enumeration leaves little to be desired.

5. There is, of course, no single and simple recipe to foster a country's development. In this respect flexibility rather than dogmatism is called for. It certainly helps to study the experience of other countries - to learn from both success and failure - but it does not seem permissible to simply copy the model of this or of that country. Indeed, since the starting conditions vary, the results will inevitably vary. What works in one country could be disastrous in another.

6. As to the policies adopted by Governments, the report states that "there is an undeniable need ... for public intervention The real issue is how to ... (make) intervention effective" (The Challenge to the South, p. 51). The Government does not take issue with this. It admits the need for government intervention and the need for this intervention to be effective. However, it is necessary to define government intervention and also to evaluate the possibilities of consistent application of intervention policies in the context of a country's overall situation - its level of education, the motivation of its people, the distribution of wealth, the way political decisions are arrived at and how they are enforced or circumvented in a society. All of these factors and many more have to be taken into consideration in the elaboration of a development strategy.

7. In the past, the record of government intervention has not been very convincing in many countries. In some countries the economy seems to have advanced not because of, but despite government intervention. Government intervention is an extremely powerful tool, particularly, it would seem, as regards its negative consequences. Bad policies or the inconsistent

application of policies often do more harm to an economy than does the absence of policies. This may sound ideological but it is the lesson to be learned from such studies as de Soto's "El otro sendero". Since the execution of economic policies tends to be particularly unsatisfactory in developing countries that lack sufficient infrastructure and reliable legal and administrative procedures, the call for deregulation seems justified. It is rightly taken up by the report: "Most Governments of the South tended to overcentralize administration and planning Such centralization led often to excessive power being vested in a few senior bureaucrats, who were not always immune to the temptations inseparable from such power This centralization tended to lead to snail-pace decision-making and to inefficiency" (The Challenge to the South, p. 49).

8. It is regrettable that the report does not contain a clear commitment to the market economy, which is obviously the best guarantee of the success of the development strategy it recommends. The market economy is referred to in circumscribed and ambivalent terms, e.g. "A situation in which market forces create a pattern of resource allocation or income distribution inconsistent with national objectives can justify State intervention" (A/45/810, p. 25). Another reference, while implying that market forces are not bad per se, is even less encouraging: "Excessive reliance on market forces can lead to concentration of economic power and wider disparities in income and wealth, to the underutilization of resources, to unemployment and to the wastage of the savings potential" (The Challenge to the South, pp. 114 and 115).

9. This concern with the possibly damaging consequences of market forces appears paradoxical considering that in many developing countries the market is only just starting to function in a rudimentary way. Contrary to the concerns expressed in the report, Austria holds that a well-functioning market promotes competition and therefore counteracts the concentration of economic power that is often favoured by government policies and that permits the formation of monopolies and cartels. A well-functioning market has also been shown to lessen income disparities that often result from a concentration of political power in the hands of the privileged few. A well-functioning market is by far the best guarantee of an efficient use of resources. (Whether these resources, including national savings, are to be spent on investment or consumption can be influenced by macroeconomic policies and has nothing to do with the basic concept of a functioning market economy.) As far as unemployment is concerned, after the collapse of the economies that thought they could guarantee full employment at the cost of competitiveness and productivity, it is hardly necessary to point out that unemployment is a result of structural weaknesses that become greater to the extent that market forces are disregarded.

10. The same inconsistencies appear in the chapters dedicated to North-South relations. The report calls for a fundamental restructuring of the international economic system. This sounds familiar. Undoubtedly, the mechanisms of the multilateral economic system can and should be improved in accordance with changing needs, but one should be wary of constructivist solutions. The approach to reforming the international system should not differ basically from the approach to domestic issues.

11. The Uruguay Round of multilateral trade negotiations are a case in point: they clearly show where the main problems of the international trading system lie and how to remedy them. The same basic approach holds for the areas of commodities and foreign investment. Price stabilization in the face of an oversupply of commodities has proved impracticable. Rather than trying to uphold prices artificially, commodity-producing countries will have to adopt policies to lessen their commodity dependence. In the same vein, financial flows to developing countries are important, but only within the limits of the absorption capacity of each country. If investment is not put to productive use, it aggravates a country's debt without improving its overall economic situation. This clearly shows that the domestic situation cannot be separated from the international one. When speaking of the undeniable need for foreign investment one cannot remain silent on the preconditions that have to be created in an economy for such investment to produce the desired results.

12. In conclusion, the Government of Austria wishes to stress once again that it considers the report a useful contribution to the North-South dialogue, recognizes that its views have much in common with the analysis and conclusions contained in the report, and welcomes an exchange of views on the subject. However, the Government also believes that in certain areas inconsistencies exist, notably concerning the role of market forces in both domestic and international economic policies. It is simply not true that developing countries are "condemned" to specialize in low-value-added, low-technology production and exports, as the report would have us believe (A/45/810, p. 41). Each emerging economy has to compete on the basis of price rather than quality or innovation. But this has not impeded countries from progressing. The development of Japan, the Republic of Korea and other countries shows that the process of upgrading, once the necessary conditions have been created, does not stop and that it is possible to challenge advanced economies in most areas of production.

13. The report itself indicates clearly how progress is to be achieved in stressing the need to concentrate on human resource development at all levels, from primary education to sophisticated research, areas which have been neglected or insufficiently addressed by many developing countries, although not by the most successful among them. The Government knows of no example among the market economy countries where affluence has been achieved without a high general level of education. And it knows of no example of a country with a high level of education being afflicted by poverty and underdevelopment.

14. The report itself rightly maintains that there is no reason for exaggerated pessimism. Rather than demonstrating the "condemnation" of developing countries to a kind of second-class status, it provides clear evidence to the contrary when it affirms that economic and social progress in the countries of the South "has been impressive and should not be underestimated" and that "the increase of per capita incomes after 1950 ... compares favourably with the past development experience of industrial countries" (The Challenge to the South, pp. 25 and 32).

Bolivia

[Original: Spanish]

The national dimension: self-reliance and
people-centred development

1. In the overview and summary of the the South Commission report, the Commission indicates that the main goal of a sustainable strategy of development is to meet basic needs. The Bolivian Government is endeavouring to meet basic requirements chiefly in rural areas, while eliminating extreme poverty and developing human resources in productive economic sectors.
2. With regard to the role of the State and the private sector in the operation of the Bolivian economy, the Government is adjusting and rationalizing the role played by the State and promoting more active involvement of the private sector.
3. Considerable progress has been made in eliminating inadequate accounting systems that encourage corruption in the public sector and are undemocratic. Bolivia has amply demonstrated the necessary political will to eradicate the scourge of drug trafficking and addiction. To that end, it has outlined for the benefit of the international community its views on an alternative form of development based on the creation of new sources of employment, a higher volume and wider range of exports, attracting capital and gaining access to markets.
4. The Bolivian Government fully endorses the view expressed in the report that development should combine high growth rates with equity and that the development process must be environmentally rational.
5. In connection with the latter point, a five-year "ecological pause" is in effect throughout Bolivia during which the exploitation and export of timber and of rare native animal species is prohibited, as from the beginning of the current administrative period. This restriction will be a milestone where the interaction of development processes is concerned, since it will clearly be to the economic detriment of some regional sectors that have no other natural resources, but it will be acceptable since its purpose is to contribute to the improvement of the environment.
6. The Government has prepared an agricultural development strategy based not only on the gradual replacement of coca cultivation and on the protection of the environment, already referred to, but also on raising farmers' incomes and expanding agricultural output and activities. Moreover, in keeping with the recommendations made in the report, steps are being taken to reorient investment policy for the benefit of the rural sector, an area in which encouraging progress has been made as a result of the financing of agricultural development and the establishment of a farmers' development fund.

7. With regard to policies on industry and trade, Bolivia is endeavouring to develop a comprehensive policy combining effective allocation of resources, technological improvements and promotion of international competitiveness, resulting in the creation of productive employment. All this will be possible, as indicated by the South Commission, given a stable and predictable macroeconomic system with realistic exchange rates and in view of Bolivia's long-term comparative advantages and the action taken by export-promotion institutions.

8. Furthermore, the State must provide assistance to small-scale industry. In that connection, the Government is embarking on a programme to promote small enterprises and crafts through technical assistance and the provision of access to credit lines, giving special emphasis to the issue of guarantees.

The strategic role of South-South cooperation

9. The Bolivian Government shares the South Commission's view concerning the need for developing countries to rely on their own resources and efforts to revitalize development, which would give such countries greater bargaining power internationally. As the Commission indicates, successful South-South cooperation will depend on a climate of confidence in the South itself, as well as on dignity for and solidarity with all segments of society. Furthermore, national leaders must demonstrate the necessary political will to promote throughout society the benefits of South-South cooperation, while fostering an awareness in their countries of such cooperation. Lastly, educational links at various levels between the countries of the South must be promoted, taking account of the specific situation in each individual country.

10. Some of the Bolivian Government's views on areas in which developing countries can cooperate with one another are listed below:

(a) Finance and external debt: Bolivia supports the Commission's view that the debt issue should be dealt with jointly by all debtor countries, which should endeavour to promote communication among one another, coordinate debt-management policy and consider making a common stand in the appropriate forums. However, that approach should not preclude action by each individual country within the framework of bilateral, subregional and regional cooperation. Bolivia has made pioneering progress where debt reduction is concerned, as illustrated by the innovative agreements that it has concluded with Argentina and Brazil, as a result of which a considerable amount of its debt to each of those countries has been written off. This demonstration of solidarity could be extended to other countries in the South. The Bolivian Government strongly supports the Commission's idea of revitalizing or creating various forms of financing machinery between developing countries and multilateral agencies, particularly with a view to strengthening trade between developing countries;

(b) Trade and commodities: Bolivia supports the Commission's proposal concerning the need to improve the Global System of Trade Preferences (GSTP).

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Moreover, in view of recent developments regarding prices and raw materials on international markets, it is clearly necessary, as indicated in the Commission itself, to set up associations of producer countries to keep prices at reasonable levels within the framework of a stable regime;

(c) Science and technology: in these times of major technological progress and intense international competition, Bolivia endorses the Commission's proposal to carry out joint activities in this area; accordingly, core activities should be selected for research at subregional and regional levels in conventional areas like agriculture and energy, as well as in new sectors, and the activities of scientific institutions should be supplemented by means of the activities of enterprises through the commercial use of research outcomes;

(d) The environment: the Bolivian Government agrees with the Commission that the South should take a common approach towards negotiations with the North to ensure equitable management of the global environment and should sponsor technological arrangements that help to conserve energy and reduce environmental pollution. However, such an approach does not preclude the conclusion of subregional and regional agreements on the environment;

(e) A secretariat for the South: Bolivia's experience in 1990 with guiding the Group of 77 in its work in New York was such that the Bolivian Government is in favour of setting up a secretariat for the countries of the South to provide support for the Group of 77, the Movement of Non-Aligned Countries and the Group of 15 in carrying out their activities.

North-South relations and the international system

11. As the Commission indicates, sustained development necessitates a restructuring of the international economic system. To that end, measures must be taken to solve the debt problem and the consequent transfer of financial resources from the South to the North. The debt burden continues to place constraints on the developing countries, investment capacity, and is thus an obstacle to their growth and development. If the debt problem is to be solved, innovative initiatives must be taken, particularly with a view to changing the profile of non-concessional debt with the multilateral financial institutions, not precluding simultaneous debt reduction and debt service, and taking into account the ability of each individual country to pay.

12. Furthermore, Bolivia notes with interest - in connection with the issues of official development assistance, the Code of Conduct for Transnational Corporations, international liquidity, the international trading system, the transfer of technology, and the environment - that the Commission proposes that:

(a) Developed countries should fulfil the commitment of 0.7 per cent of GNP for official development assistance and 0.15 per cent of GNP in aid to the least developed countries, possibly increasing the percentage of GNP set aside for the latter form of aid;

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(b) International action should be taken to adopt the Code of Conduct for Transnational Corporations, under negotiation since 1976;

(c) A mechanism for creating international liquidity in an orderly way should be set up with a view to the adoption of international arrangements to reduce misalignment of the exchange rates of the principal world currencies, so as to cushion developing countries against unexpected changes;

(d) The international trading system should be reformed so as to enable developing countries to step up their share of world trade, and a timetable should be established for lifting the protectionist barriers of the countries of the North, bringing the textiles trade under the normal disciplines of the General Agreement on Tariffs and Trade (GATT) and stabilizing world commodity prices;

(e) New arrangements should be adopted for the transfer of technology from the North on terms consistent with the development interests of the South. United Nations agencies should play a more prominent part in building up a scientific infrastructure in the countries of the South. Action should be taken to promote models of institutions engaged in applied research, as well as a network of research and training institutes for the development and application of high technology;

(f) It should be made clear that the environmental problems of the countries of the North are basically attributable to their pattern of economic development. In contrast, the environmental problems of the countries of the South are basically attributable to poverty. In developing countries poverty must be overcome for the environment to be protected. It is thus important that the freedom of Governments to set their own national priorities and policies should be respected.

Finland

[Original: English]

1. The report of the South Commission makes an important contribution regarding the development process, especially in southern Africa. The assessment of the achievements, analysis of the failures and suggestions for the future are also of great value to the countries that are partners in development cooperation.
2. The Government of Finland considers it very important that the work done by the Commission be followed by world-wide discussion. The proposals and recommendations of the report merit wider international interest and follow-up. The Government of Finland has pledged support to the continuation of the work of the South Commission.

Romania

[Original: French]

1. The Romanian Government has received, with great interest, the report of the South Commission, which is the fruit of laborious efforts over the past few years on the part of eminent scientific and political figures from third world countries.
2. Those efforts represent a valuable and timely step towards eradicating the dramatic poverty of the South, a part of the world which the evidence increasingly indicates is relegated, with dangerous consequences, to the periphery of the world economy. At the end of what has been rightly deemed a lost decade for development, the report presents a lucid analysis of the economic and social crisis in the countries populated by three fourths of mankind, and prescribes remedies based on local circumstances and the prevailing external environment.
3. The realism of the analysis, based on a critical assessment of past national and international experience, places the report among the major contributions of recent times to the conception and implementation of a new international consensus on development. Its wealth of ideas and proposals springs from its authors' firm belief in the capacity of developing countries, individually or collectively to mobilize, their resources more effectively in pursuit of national progress, as well as from the emphasis on global opportunities to achieve that end.
4. Romania shares those objectives for reasons which go beyond the fact that its transition to a market economy is accentuating the factors which define it as a developing country. Its history and the burdens it inherited from the totalitarian regime eliminated by the revolution of December 1989 testify that this status directly reflects the structural features and performance of the national economy. The case of Romania, though not unique, demonstrates that

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the enormous difficulties on the road to economic and social emancipation are not specific to the southern half of the planet.

5. Having begun to carry out its own critical and lucid reassessments of the past in the context of its sustained pursuit of economic reform, the Romanian Government welcomes the observations in the report which pinpoint the inconsistent or unrealistic aspects of the strategic objectives of efforts to reduce and gradually eliminate North-South imbalances. The valuable concept that growth must be generated from within the economies of third world countries is complemented by the description of the model of "self-reliant and people-centred development", which takes a pragmatic approach in its discussion of such topics as the roles of the State and the market in this process.

6. Another of the report's contributions derives from its complex treatment of the South-South dimension of international cooperation, realistically conceived as one of the components of long-term action to change the world economic map. This approach gives the authors all the more reason to place their hopes in an increased commitment by the international community, free from the clichés and traditionalism of the past, to support the efforts of the South. Adequate responses to global problems, particularly world poverty, as well as to the new challenges facing civilization must undoubtedly be formulated on the basis of shared responsibility, true partnership and the distribution of burdens in proportion to economic might and accumulated wealth.

7. The foregoing attests to the need for all the members of the international community to rethink the problems of the third world, starting with the global or sectoral possibilities and threats, present or future, and with rejection of the temptations of economic egoism and political hegemony.

8. The six-point programme for immediate action, set forth in the last part of the report, thereby emerges as a highly promising alternative to be explored, particularly within the United Nations system, in the context of an authentic international dialogue.

9. The Romanian Government is ready to make an active contribution, in any of the existing forums for debate and negotiation, to the follow-up to this initiative, with its world-wide implications. At the same time, it is taking practical steps to highlight the potential for cooperation with the countries of the South and to make room in its economic and commercial strategy, and to allocate resources, for this valuable opportunity for exchange.

Switzerland

[Original: French]

1. The South Commission Report is notable in that it constitutes a serious effort by the developing countries themselves to take stock of their situation and its causes. The lessons to be learned from the collapse of the communist

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regimes suggest, however, that this process of developing awareness will have to continue for some time to come. We believe that the report should be thoroughly analysed by North and South alike in order to carry the process of reflection further. We also appreciate the fact that the members of the Commission were able to bring the study to a successful conclusion, even though certain contradictions in it reflect the diversity characterizing the countries of the South.

2. Switzerland endorses the Report's assessments with regard to the following topics:

- (a) The importance of democracy and human rights;
- (b) The importance of "good governance", particularly the need for some degree of political and economic decentralization within a flexible but stable institutional framework;
- (c) The importance of a "business climate conducive to growth" (characterized by a necessary minimum of liberalism, regulations to reduce restrictiveness and access to institutions and basic services);
- (d) The responsibility of the developing countries themselves for the management of their economies;
- (e) The importance of South-South cooperation;
- (f) The importance of human resources;
- (g) The importance of domestic savings, tax system reforms and repatriation of capital.

3. Switzerland does not endorse, or only partially endorses, the Report's assessments with regard to the following topics:

- (a) The refusal to appreciate the opportunities presented by the existing world economy because it was created by the industrialized countries, even though certain developing countries (the dynamic economies of Asia, for example) have been able to exploit its opportunities. However, this does not mean that we are denying that the industrialized countries have a responsibility with respect to the establishment of a world trade system that is open to all;
- (b) The excessively hardened and hostile views with respect to international economic relations (accusations of economic exploitation and economic colonialism);
- (c) The vision of a South which must unite against the North, and the absence of a more realistic and subtle view of a real world in which North-South antagonism is constantly proved outmoded;

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(d) The danger implicit, in matters pertaining to the environment and, to a lesser extent, science and technology, in viewing their importance primarily in terms of supplementary aid to be received. We would have preferred to see an acknowledgement that it is in the developing countries' own interest for them to manage their environment and, where appropriate, to invest in it;

(e) The broad call for substantially increased aid from the industrialized countries, to be organized, planned and managed in a manner that runs counter to the principles which have emerged from the new ideas on "good governance" (the new global financial system);

(f) The tendency to cite certain flaws in the market economy as justification for proposals for further State intervention, which would undermine the reforms that have been advocated;

(g) The "global programme of immediate action" relies more heavily on international measures, particularly on the part of the industrialized countries, than on national efforts, particularly those of the developing countries.

4. While these observations certainly are not exhaustive, they should suffice to provide an initial general idea of the Swiss Government's views.

United Kingdom of Great Britain and Northern Ireland

[Original: English]

1. The Government of the United Kingdom of Great Britain and Northern Ireland welcomes this impressive report and believes that it will contribute positively to setting a basis for the discussion of development issues in the years ahead. The report reaches a number of important conclusions and makes recommendations that merit the serious attention of all those concerned with development issues. The United Kingdom particularly welcomes the central message that development must be people-centred, self-reliant, equitable and environmentally sound, and the recognition that development is inextricably linked to democratic, publicly accountable government and respect for human rights. This is fully in line with the Government's belief in the principle of good government and its belief that people should be enabled to contribute to economic growth and social progress and to enjoy their benefits. The Government also welcomes the fundamental importance given to effective population policies, education, and encouraging the development and use of appropriate technology, and the importance that attached to those issues is clearly reflected in the aid programme of the United Kingdom.

2. Although each country is primarily responsible for its own development, cooperation is vital both between countries of the North and South and between countries of the South themselves. Poverty, hunger, malnutrition, disease and ignorance can be overcome only if a concerted effort is made to implement and

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sustain appropriate national and international policies. The report concludes that it is in the interests of all countries on political, economic, environmental and moral grounds to tackle these problems. The United Kingdom supports that conclusion and is working hard towards helping to create conditions that will support national development policies. There are no easy solutions to the problems. All countries should recognize that and make determined efforts towards finding and implementing realistic policies. The report of the South Commission shows much realism and therefore provides a good basis for development efforts in the future.

3. The United Kingdom believes that the trade policies being followed by the North can benefit all countries provided that they have the internal mechanisms to take advantage of the opportunities open to them. A successful conclusion to the Uruguay Round, which all in the North are working towards, will result in increased trade liberalization, permitting the most competitive to reap their rewards. The North can help the South by investing both money and technology in the area, but before it can do that the countries of the South must first make a commitment to respect intellectual property rights and streamline their currently inefficient economies. The latter point is becoming more generally accepted by the least developed countries.

II. REPLIES RECEIVED FROM BODIES OF THE UNITED NATIONS SYSTEM

A. United Nations Secretariat

Department of Technical Cooperation for Development

[Original: English]

1. The report of the South Commission is a refreshing blend of introspection, retrospective analysis and delineation of purposeful policy action in the cause of economic and social progress. While the development experience of many countries during the past three decades has been bleak, several have made notable advances. Drawing on both disturbing and encouraging experiences, the report outlines solid ideas for policy actions by developing countries. Emphasis has rightly been put on the formulation and implementation of pragmatic development strategies in harmony with the prevailing national circumstances.

2. A basic premise of the report is that in view of the unfavourable international economic environment foreseen for the 1990s, renewed development will need to be generated from within the economies of the South based on a self-reliant and people-centred development strategy. This focus augurs well for the future. The report goes on to say that despite the diversity of economies within the South, there are certain principles and objectives which should guide the development course of all countries. These objectives include, among others: investment in human resources to improve capabilities, equity and efficiency; closing the scientific and technological knowledge gap; reviewing the respective roles of the State and market forces; raising the social and economic status of women; and protection of the environment. The report underlines the strategic importance of South-South cooperation for the achievement of development goals.

3. Multilateral technical cooperation can make critical contributions in helping developing countries forge new development strategies and policies, with a judicious balance between the respective roles of the public and private sectors of the economy. One of the key priorities set forth in the report, the development of human resources and supporting institutional structures and mechanisms essential to self-reliance, has always been a main goal and central feature of technical cooperation activities of the Department of Technical Cooperation for Development. In building up national capabilities, throughout its sectors of work, the Department also stresses establishment of capacity for science and technology and for effective use of the relevant state-of-the-art technologies and methodologies.

4. In carrying out its work, the Department fully recognizes the value of South-South exchanges. It therefore makes every effort to foster, through its activities, exchanges and linkages among developing countries. Special training programmes, based on technical cooperation among developing countries approaches, to promote exchanges of expertise and experience and help forge institutional ties, are organized regularly on a wide variety of development questions.

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5. The Department continually adapts its substantive capabilities in order to provide technical assistance that responds in optimal ways to new needs, as these arise both from changes in national policies and requirements and from new global development policies supported by intergovernmental legislative bodies of the United Nations. Thus Department-assisted projects have increasingly focused, for example, on targeting development activities to benefit the poorest segments of the population, such as those in remote rural areas. Mitigation of the adverse effects of structural adjustment policies has also received growing attention, as has the need for improved public administration capacities. To help involve women in the development process, various new kinds of technical cooperation activities have been initiated. Environmental factors are increasingly being linked to sustainable development consideration and are being taken into account in the design and implementation of Department-assisted projects in, for example, natural resources and energy resources development.

6. Many of the recommendations made in the report are of particular interest to the Department from the standpoint of its work. Linkage at the national level between environment and development, in areas such as water resources and energy, has important implications for the formulation of future technical cooperation activities carried out by the Department. Similarly, the interdisciplinary approaches implicit in recommendations relating to eradication of poverty, rural development and the environment, to name only some, are also highly relevant to the Department's work. The recommendations for modernizing administrative processes, strengthening internal resource-generating capacity and making reforms in development planning also have specific relevance for the Department's future activities, as does the recommendation for people-centred development, which requires reliable social and economic indicators.

7. Policy actions of developing countries will not yield commensurate results if the international economic environment is not conducive to their economic and social progress. In this respect also, the report has outlined useful ideas. We would support in particular the recommendation on global economic management and the United Nations system, specifically that periodic summits of North and South nations be convened by the United Nations to make assessments of global trends and their consequences for development as well as the environment. This recommendation has important implications with respect to the functioning and structure of the United Nations system. It also highlights the fact that operationalizing the recommendations made in the report will require using in the most effective and productive manner the complementary capabilities that exist in the United Nations to support multilateral cooperation in international economic affairs.

8. Because the report's recommendations are so basic to the future course of multilateral cooperation in international affairs, the Department will follow its consideration at the second regular session of 1991 of the Economic and Social Council with great interest. The Department remains fully committed to providing, within the resources placed at its disposal by the world community, efficient support to the development efforts of the countries of the South.

Centre for Science and Technology for Development

[Original: English]

1. The South Commission makes science and technology a central issue throughout its report. Chapter 2, which deals with the state of the South, after analysing the development crisis of the 1980s, presents human resources and scientific and technological development as the bases for renewed hope. Chapter 3 takes up the national dimension of self-reliant and people-centred development, placing special emphasis on strategies for science and technology in development. Comparable emphasis is placed on the role of science and technology in chapter 4, which is about mobilizing the South through cooperation among developing countries, as well as in chapter 5, on North-South relations. Chapter 6, viewing the South as the threshold of the twenty-first century, considers overcoming the knowledge gap (through the mastery of science-based technologies) as a fundamental goal.

2. The report's proposals for action in science and technology are very much in the spirit of those adopted by the United Nations, particularly in the Vienna Programme of Action on Science and Technology for Development and also, more recently, by the Second United Nations Conference on the Least Developed Countries and by the General Assembly in the International Development Strategy for the Fourth United Nations Development Decade. For example, the report gives special importance to the need for the developing countries to cooperate in strengthening their scientific and technological capabilities, especially in scientific and technological education, higher training, scientific research and the building up of independent capacities for technology generation (see The Challenge to the South, p. 190).

3. The Director-General for Development and International Economic Cooperation submitted a report on new developments and trends in the programmes and activities of the United Nations system in science and technology (A/CN.11/1991/5) to the Intergovernmental Committee on Science and Technology for Development at its eleventh session (22 April-3 May 1991). That report duly acknowledges the importance given by the General Assembly to the report of the South Commission and the forthcoming discussion by the Economic and Social Council of its conclusions and recommendations in an informal meeting. The Centre is ready to provide any input that may be required for that discussion.

4. The Centre agrees that priority should be given to the need to enlarge the pool of scientifically qualified personnel, to reverse the migration of talents from the South to the North and to stress education in basic sciences backed by an effective system of research (see The Challenge to the South, pp. 109 and 110). The Centre also considers that equal attention has to be given to the need for increasing the utilization of the idle and underutilized scientific and technological expertise that exists in developing countries.

5. The Centre finds encouraging the reference made to the need to increase the provision of financial facilities to entrepreneurs seeking to harness new

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technologies (see The Challenge to the South, p. 112). That proposal is very much in harmony with General Assembly resolution 45/188 on entrepreneurship, as well as with such initiatives as the recommendations made in the above-mentioned report of the Director-General on the specific issue of the promotion of scientific and technological entrepreneurship in developing countries.

6. The Centre also welcomes the prominence given in the report of the South Commission to the Third World Academy of Sciences (TWAS), with which the Centre cooperates extensively. Such cooperation underscores the urgent need for the establishment of effective research structures in developing countries in order to help decrease their dependence on technologies imported from industrialized countries. The lack of internal capacity is evident not only in the industrial sector but also in such primary development areas as agriculture and health, where significant comparative advantages exist for technology generation. TWAS was represented at the eleventh session of the Intergovernmental Committee on Science and Technology for Development. The Academy's presence is expected to be fruitful in terms of new ideas for cooperation with the United Nations system, such as the network of research and training centres mentioned in the report (see The Challenge to the South, p. 257).

Centre for Social Development and Humanitarian Affairs of
the United Nations Office at Vienna

[Original: English]

1. An interesting aspect of the report of the South Commission is its contention that to encourage development in the South, value systems need to evolve. That suggestion indicates an appreciation of certain aspects of development that might best be called "intangible". This is particularly significant since policy makers and development experts have mostly been unable to translate such intangibles into effective policies and programmes. What they have developed have been programmes for "social development".
2. There is no universally accepted definition of social development. The term has traditionally referred to a broad field of activities in the social sectors - the provision of health, education, housing, welfare services, water and sanitation facilities. Investments in those sectors were thought to lead to social development. This view, however, indicates a rather mechanistic approach to development.
3. The Commission is thus implicitly endorsing the view that development cannot be measured simply by the attainment of higher incomes or improved physical infrastructure; it can, however, be understood as a process that, among other things, brings such improvements about. Development is thus defined by the increased ability of individuals to control their own lives - to create their own "social space" - through economic, political and social action. This requires that the goal of development must be to improve the dynamic relations within societies and not merely the physical manifestations

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associated with material accumulation. Therefore, when striving for social development, more attention needs to be given to the processes and the methods of development.

4. Rather than labelling the process "social" or "human" development, it may be preferable to refer to development from a social perspective. A central aspect of the process is participation through some form of action or activity undertaken by a group of people to meet their needs and resolve their problems. This social perspective rejects the definition of development as the provision of physical infrastructure, but refers instead to the processes whereby people - and especially the previously excluded poor or disadvantaged people - seek to participate actively in decisions affecting their lives; it is concerned with the social dynamics leading up to the taking of action, the decision-making issues involved, the educational processes that support people's abilities to take such actions, and the instruments and methodologies employed. A social perspective encourages not just action taken in response to the suggestions of others, but also the internal processes that develop people's solidarity and their ability to create and undertake actions themselves.

5. If, however, the report has a shortcoming, it would lie in its failure to sufficiently elaborate a scenario for development in such terms. The Commission seems to enter unfamiliar territory when discussing social processes, and the report does not explore the notion in depth. It is interesting to note that not a single member of the Commission is described as a sociologist or social planner. The Commission is composed almost exclusively of economists, financial experts and politicians.

6. Much more work needs to be undertaken, at all levels, in order to elaborate an appropriate notion of development from a social perspective and to seek methods to implement it. That work cannot be done in isolation. In this context, sociologists and social planners should be given greater say in all development planning activities, and economists and physical planners need to be more open to innovation and willing to include social practitioners in planning activities from the outset.

7. The report might also elaborate more fully on the current and potential role of the organizations of the United Nations system in development activities. While attention is given to the financial institutions (the World Bank and the International Monetary Fund), technical cooperation activities of the system are generally overlooked. There might be much to gain by emphasizing increased multilateralism in development assistance.

8. To make it more effective, multilateral assistance should be reformulated to reflect changing development priorities. The vast majority of current technical cooperation projects focus on the delivery of products or services. The current project cycle encourages short-term thinking and the achievement of physical manifestations of development, along with the transfer of knowledge and skills. Instead, projects should fulfil an enabling function. What is required is long-term, process-oriented thinking and the development of local knowledge and skills.

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9. Multilateral assistance could effectively support such development activity. Ideally, it would avoid certain political constraints associated with bilateral assistance programmes, while encouraging a multicultural perspective and flexible approaches. Furthermore, multilateral agencies could encourage institutional strengthening in developing countries. The research and other substantive work undertaken by the United Nations and its related research institutes should find an empirical outlet in the development cooperation activities of the system. Governments of developing countries, working together, might encourage the international organizations to alter administrative procedures and organizational arrangements to ensure that they remain responsive to the needs of those countries.

10. An issue of increasing importance in the coming years will be the influence of multilateral organizations in governmental decision-making. This is a sensitive area in which ground rules are constantly shifting. The dictum that Governments decide on policies and priorities and agencies assist in their implementation remains the cornerstone of development assistance. Nevertheless, in many countries there is a strong need for the assistance and policy advice provided by organizations of the United Nations system. Increasing world interest is also focused on respect for universal human rights, the attainment of which will certainly receive more priority in the interaction between Governments and the United Nations system. Much more attention needs to be given to that question, and the views and priorities of Governments in developing countries need to be examined.

United Nations Development Programme

[Original: English]

1. The United Nations Development Programme (UNDP) welcomes the report of the South Commission and regards it as an important contribution to the elaboration of strategies for international economic cooperation and for development in the 1990s. In particular, we find the areas of focus in the report to be entirely consistent with the UNDP mandate to support a more people-centred development process. In addition, the issues raised by the South Commission report are fully in harmony with the International Development Strategy for the Fourth United Nations Decade, which has now been endorsed by 145 countries. We can increasingly observe a convergence of priorities, in which Governments in both the North and the South recognize the need for accelerated growth, human resource development, environmental sustainability, poverty alleviation, an enhancement of the economic and social status of women, and an appropriate role for the State.

2. UNDP is especially impressed by the reassessment in the report of the roles of the State and the market: in particular, the importance of orderly and stable economic management; the need to review regulatory policies to ensure that they do not hamper entrepreneurship, technical advances or competition; and the importance of efficiency in resource allocation. UNDP also endorses the recommendations in the report concerning the need for

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institutional reforms to enhance the administrative capacity and efficiency of the public sector. The need for an environment conducive to entrepreneurship and for the removal of bureaucratic impediments that discourage investment and innovation are recommendations that UNDP also supports.

3. The report's recommendation of a development strategy that gives priority to women's social and economic advancement is one that UNDP supports strongly. Actual implementation of this strategy, however, does call for a more comprehensive perspective on the reasons why so little progress has been made in enhancing women's status, and how to translate objectives for women's advancement more effectively from rhetoric into reality. An issue such as this, which is so integral to any development process, calls for a culturally sensitive but committed review of the constraints now operating.

4. UNDP also continues to emphasize the need for strengthened South-South cooperation. Indeed, technical cooperation among developing countries is one of the areas of focus highlighted by Governing Council decision 90/34. Even before that, UNDP had supported a wide range of activities aimed at strengthening regional economic cooperation among developing countries. The considerable efforts that have been made in the past to enhance regional cooperation could have benefited from a strategic review of ways of increasing the effectiveness of such activities in the future, in particular, ways of identifying tangible national benefits in each programme that can be monitored, which would make regional integration more attractive to all parties. There is a clear need to demonstrate maximum benefits and minimum losses to all countries involved in programmes for regional economic cooperation.

5. UNDP is conscious of the extent to which the unfavourable external environment of the 1980s has had profoundly negative consequences for economic and social progress in developing countries. However, UNDP would also emphasize the importance of national capacity as a solution to problems in the developing countries. A beneficial external environment does not by itself translate into national economic and social development unless national policies are conducive to development. Thus, national capacity, including policy capacity, is vital to sustainable development, and furthermore, is often a critical and essential ingredient in the achievement of national goals, especially in the context of unfavourable international conditions.

6. Concerning the Six-Point Programme for Immediate Action, UNDP endorses the proposals to increase significantly the volume of concessional resource transfers to developing countries, to establish multilateral arrangements for ensuring sustainable development, to lift protectionist barriers, and to develop mechanisms to protect developing countries against excessive fluctuations in international interest rates, exchange rates and terms of trade. However, in creating the conditions for enduring social and economic progress in developing countries, changes must begin from within, since developing countries themselves are the principal actors in the development process. As the report itself states, "national policies are the foundation for the successful pursuit of development objectives". Thus, developing

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countries must continue to enhance their capacity to absorb and efficiently utilize additional concessional finance, to create the internal conditions for effective utilization of both domestic and international resources, and to demonstrate a commitment to the achievement of social goals.

Office of the United Nations High Commissioner for Refugees

[Original: English]

The report of the South Commission has been found very interesting. The Office of the United Nations High Commissioner for Refugees has no specific comments to make on it, except that in some regions the refugee situation has reached such dimensions that it impacts, as cause or effect, the global economic situation.

World Food Council

[Original: English]

1. The World Food Council (WFCO) is pleased that the report of the South Commission addresses so many of the issues that WFC has also stressed in recent years. The report correctly identifies the development challenge of the South as a global problem whose solution requires concerted international effort, while also recognizing that the developing countries themselves must be key protagonists in the struggle to fight poverty and social decline.
2. WFC is impressed by the report's stress on people-centred development and the promotion of equitable economic growth. WFC has also long emphasized that development must benefit all people, and that this requires economic growth that increases the income and the employment opportunities of the poor. WFC also has urged, as does the report, that major attention be given to the development of human capital, through well-targeted policies and programmes to improve nutrition, health care, sanitation, housing and education. Improvements in the health and well-being of the poor are correctly identified by the South Commission as essential to development.
3. The report rightly observes that the problems of the South are intimately linked to the problems of the North, and that the economic, social, political and environmental costs of underdevelopment threaten the security and well-being of all nations, rich and poor alike. Everyone has an interest in ending the vicious cycle of poverty, rapid population growth, environmental degradation and hunger. In short, WFC agrees that in the last analysis, the interests of the South and the North are not in fundamental conflict with one another.
4. In this regard, WFC concurs with the report's emphasis on reducing trade protectionism in the North: increased developing country access to Northern markets in the long run would produce considerable benefits for all. Less protectionism would benefit consumers everywhere, increase economic efficiency and remove a key obstacle to faster growth in poor countries. This, in turn, would ease South-North migration and would provide new markets and investment opportunities for both developing and developed countries.
5. Finding a solution to the debt problem is also in the interests of all, as debt impedes the relaunching of growth in many developing countries and thereby undermines their ability to grow and contribute to global economic production and trade. Similarly, as indicated by the South Commission, increased flows of official development assistance (ODA) could be of considerable utility in releasing the productive potential of poor countries.
6. The World Food Council also has long advocated the theme stressed by the South Commission that economic adjustment programmes must be designed and implemented with a keen eye to the reduction of poverty and malnutrition, if they are to succeed in promoting genuine economic revival and long-term development. The establishment of external balance at the cost of more

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poverty and hunger is illusory adjustment, as it perpetuates underlying economic and social weaknesses. By contrast, adjustment that heeds the needs of the poor lays the basis for stronger long-term growth. The developed countries and international financial institutions must continue to increase their sensitivity to this basic truth if adjustment is to succeed in producing sustainable economic growth.

7. Increasing the productivity of small farmers and landless rural workers - the majority of the world's poor - is essential to improving food security. In this regard, WFC agrees with the report's identification of more equitable land ownership as essential in many countries to reducing poverty and improving efficiency in the use of land, above all by providing farmers with the means and the incentive to raise productivity. Past WFC documents also have stressed the importance of increasing off-farm employment, such as rural works and agro-industry. WFC is also pleased to see that the report recognizes the importance of remunerative prices to farmers, through appropriate exchange rate, tariff and domestic price policies. It also concurs with the report's emphasis on the importance of women as food producers in developing countries.

8. The report of the South Commission is an important example of the growing awareness of the urgent need for concerted international action to fight poverty, hunger and environmental damage, so clearly related to the economic weakness of many developing countries. The World Food Council will continue its efforts to encourage and coordinate such action as it relates to the food security mandate of WFC.

World Food Programme

[Original: English]

1. The World Food Programme (WFP) subscribes to the view expressed by the South Commission that "the responsibility for securing its development rests with the South ... [but that] the policies followed in the North will continue to have an impact on the South's performance" (A/45/810, p. 17).

Food security

2. WFP is pleased to note the prominence given to food security as the first issue addressed in the section of the report concerning the national dimension. This subject was highlighted in a joint study that WFP has recently completed with the World Bank, entitled "Food aid in Africa: an agenda for the 1990s", which focuses on sub-Saharan Africa. While Africa has the potential to feed itself, projections indicate that food imports may realistically be expected to at least double during the 1990s.

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3. The items listed in the report of the South Commission to be included in a strategy to eradicate chronic food insecurity are quite comprehensive (see A/45/810, pp. 20 and 21). Integrated food security action plans covering the production, marketing and consumption of food are required. More emphasis might have been given to the need to improve markets, with a judicious balance between public and private sector activities and a clear policy on producer and consumer pricing. Policies for addressing chronic food insecurity include increasing the food supply (through production, imports and improved market integration), subsidizing consumer prices and targeting income transfers.

4. The long-term solution lies in improving income and employment on a permanent basis. In the interim, however, interventions such as food subsidies and shorter-term programmes to provide employment and income and access to food are required. If sharply focused on vulnerable groups of people that lack food security, expenditure on food subsidies could be modest. Such people comprise different subgroups. Cost-effective programmes to improve food security should be tailored to the needs and circumstances of each group. Drought or emergency prevention and preparedness plans, as appropriate, should be drawn up for each developing country, which would include safety nets to ensure access to food by the poor in both rural and urban areas.

Human resources

5. WFP strongly subscribes to the importance given to human resource development in the report, which is in keeping with the recent major publications, statements and resolutions of the United Nations and its organizations. While the goal of achieving "by the year 2000, universal primary health care, universal literacy and education for all children of primary school age" (A/45/810, p. 21) should be supported, it is unlikely that it will be attained unless there is a fundamental restructuring of public expenditures in the developing countries and a greater focus of current aid on those objectives, as well as a significant increase in development assistance.

The roles of the State and the market

6. WFP agrees with the view expressed in the report for the need to determine an appropriate balance between the State and market forces in the development process (A/45/810, p. 19). As is pointed out, experience has shown that while privatization and strengthening the private sector will be essential, the prescription of "letting the market work" is also inadequate. The need for strong public and private institutions working cooperatively for democratically agreed objectives is essential. We therefore support the view that finding the right balance will be a key task for policy makers.

7. WFP experience has been mainly with food markets and trade, where the difficulties, particularly in Africa, are formidable. Neglected infrastructure - inadequate and poorly maintained road systems, inefficient ports, unreliable utilities - greatly increase the cost of doing business. Marketing and trade activities are often dominated by high-cost, inefficient parastatal organizations with a monopoly on food transactions. Market and price policy, and tariff and non-tariff barriers, militate against the private sector and efficient practices.

8. Sound and sustainable trading patterns within and among countries of the South will require fundamental domestic economic and trade policy reforms. The development of intra-country and inter-country trade should also receive close attention by donor countries and aid agencies in the financing of essential infrastructure, in the provision of technical assistance to build up management capacity and improve information systems and regular market intelligence, and in the negotiation of policy reforms aimed at reducing tariff and non-tariff obstacles.

The gender dimension

9. It is now widely recognized that raising the social and economic status of women is essential for achieving equitable and sustainable development. Yet there remains a great deal of tokenism on this issue. It is notable that the South Commission not only places this issue low down on the list of issues addressed but also does not identify particular courses of action, as it does for many of the other issues. For example, it is observed that there is a strong correlation between improving the education and economic status of women and reductions in population growth - a subject on which the report is silent.

The environment

10. While the report rightly highlights the importance of preserving the environment in order to ensure sustainable development, no reference is made to costs and how those costs can be met, both the initial cost of environment improvement and protection measures and the maintenance costs involved.

South-South cooperation

11. WFP is the largest buyer of food in developing countries for use as food aid. Since 1985, the Programme has bought nearly \$500 million worth of food in developing countries, making the biggest contribution to South-South trade in the United Nations system, as these purchases can serve to promote inter-country trade over the longer run. This, in turn, could improve food security and lessen dependence on markets and supplies in the North. As pointed out above, however, radical reform is required to lower tariff and non-tariff barriers, as well as a concerted programme of activities and assistance to improve infrastructure, management and services.

North-South relations and the international system

12. The report correctly emphasized the importance of establishing national trading systems between the North and the South. The Uruguay Round of multilateral trade negotiations is particularly important in this regard, especially as it can affect food availabilities and transactions. Agreement on reducing agricultural subsidies in the major developed exporting countries would be of benefit to food exporting developing countries. It could, however, lead to reduced food availability and higher prices for poor food-importing countries. As has been proposed during the negotiations, there is therefore need for a multilaterally administered international arrangement, not only to ensure fair trading practices but also to ensure that food is available on concessional and grant terms, while preventing circumvention of disciplines on export subsidies under the guise of food aid.

Towards the twenty-first century

13. The report ends with the identification of key tasks for which "the South must harness all of its energies" (A/45/810, p. 55). One item is missing or muted, which is now identified as crucial for the attainment of the "self-reliant and people-centred development" advocated by the South Commission, namely, what is now fervently referred to as good governance, democracy and accountability. The report recognizes that "lack of democracy, corruption, and militarization further eroded the economic and political bases for development" (A/45/810, p. 9). Unless the task of removing these major obstacles is frontally addressed, the goals and objectives of the South Commission will not be achieved.

B. Specialized agencies and related organizations

International Monetary Fund

[Original: English]

1. The South Commission's review of the experience of developing countries is a useful contribution to the ongoing debate about which policies work best. The International Monetary Fund (IMF) was glad to see that the Commission recognized both the importance of taking a country's particular circumstances into account when designing and implementing economic policies and the emerging consensus on the common elements of sound economic strategy. IMF noted the Commission's statement that no country can make economic progress without reasonably stable macroeconomic conditions, as well as its comments on the high costs borne by countries that failed to adopt comprehensive reforms early enough in the 1980s to arrest inflation and to avoid declining investment and worsening external payments problems.

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2. While the Commission endorses the pursuit of stable macroeconomic policies and appropriate exchange rate policies to promote sound economic growth, its views on structural adjustment are less clear-cut. IMF recognizes that "the jury is still out" on the longer-term results of structural reforms adopted by many countries in the late 1980s, but a number of recent analyses, including those done within the Fund, point unmistakably to the net beneficial impact of structural reforms, when properly and promptly implemented and backed by adequate financing. IMF would hope that this point could be brought forward during the informal exchange of views to be held during the second regular session of the Economic and Social Council in 1991.

3. The importance of financing brings up a second point - the need to increase savings and investment in the South. The Commission rightly favours a higher level of domestic savings in developing countries to finance productive investment and consequent economic development, particularly at a time when prospects for expanding foreign assistance are slim. The informal exchange of views could usefully address the question of what economic policies are conducive to raising the level of domestic savings and to creating domestic conditions favourable to the retention of savings and their allocation to the most productive economic activities. Also, the commission seems not to have given much consideration to the possibility of attracting foreign investment - another topic that could be taken up by the Economic and Social Council.

4. Finally, IMF cannot refrain from drawing attention to what appears to be the Commission's misunderstanding of conditionality as it relates to the use of Fund resources. Conditionality consists of broadly defined quantitative targets, accompanied by an indication of the policies the borrowing Government intends to follow to realize the targets of the reform programme it has adopted. Its purpose is to ensure a successful outcome of the programmes by ensuring an efficient use of resources. Conditionality does not infringe upon a member's right to make basic allocative decisions between and within economic sectors. Indeed, it is precisely because national authorities retain a wide range of options for economic reform that IMF places such high value on analysis and discussion in every possible forum of the implications of their choices.

International Maritime Organization

[Original: English]

From an initial review of the overview and summary of the report of the South Commission (A/45/810), it is clear that the recommendations touch upon various fundamental issues with broad and important implications for international cooperation.

General Agreement on Tariffs and Trade

[Original: English]

Trade in services

1. The General Agreement on Trade in Services (GATS) is intended to consist of three pillars: first is the multilateral framework containing two main sets of provisions. One set comprises principles of a general nature, which apply automatically to all service sectors at the entry into force of the agreement. The other comprises specific provisions to be applied by each party in accordance with the negotiated commitments appearing in its schedule. Provisions of general (and automatic) application across all service sectors include not only traditional principles such as transparency and most-favoured-nation treatments but also concepts relating to harmonization and recognition of standards, qualifications etc., monopolies and exclusive service providers and payments and transfers. Development-related concerns are reflected in concepts that provide for the recognition of existing asymmetries with respect to the degree of development of service regulations in different countries (domestic regulation) and for means to increase the participation of developing countries in world trade in services (increasing participation of developing countries).

2. Principles of a negotiated (as opposed to a general) application include market access and national treatment. Through market access, GATS would ensure that each party grants services and service providers of other parties treatment provided for under the terms, limitations and conditions agreed and specified in its schedule. Through national treatment, each party would accord to foreign services and service providers, treatment no less favourable than that accorded to like domestic services or providers of like services. The flexibility that countries would retain to negotiate the conditions under which market access and national treatment are granted, gives operational content to the expressed objective in the framework that the liberalization process be progressive and take into account the level of development of individual signatories. This feature of the framework is considered important by many developing countries whose service sectors do not yet match the level of technological sophistication and competitiveness apparent in developed countries.

3. The second pillar of the agreement is the sectoral annexes, the aim of which is to clarify, interpret and/or qualify the application of framework provisions in the light of any sectoral peculiarities. The need for such annexes has long been recognized, as a number of sectors have specificities that make it necessary to indicate the basis upon which they could be covered by the multilateral framework. It should be noted that alongside working groups established to determine if annexes were necessary for individual sectors, a working group on labour mobility was established by the Group of Negotiations on Services (GNS) to look into this aspect of trade in services. Labour mobility is relevant for all service sectors and is considered of crucial importance by many developing countries.

4. Against this background, participating countries have begun to submit conditional offers to be agreed in negotiations, which would bind market access and national treatment regimes in respect of measures applying to trade in services. This is the third pillar of GATS. The process of making, discussing and improving offers was initiated prior to the Brussels ministerial meeting. At present, 25 countries, accounting for almost 90 per cent of world trade in services, have formally submitted offers to liberalize various aspects of their trade in services.

Trade-related investment measures (TRIMS)

5. The objective of the negotiations on TRIMS is to avoid the trade restrictive and distorting effects of investment measures. That is to be achieved by negotiating, as appropriate, further provisions, beyond what is already contained in the General Agreement on Tariffs and Trade (GATT), that may be necessary to avoid such adverse effects on trade. At the mid-term review of the Uruguay Round, trade ministers elaborated on the task they had set for the TRIMS negotiators in Punta del Este and instructed them, inter alia, to integrate into the negotiations development aspects that would require consideration.

6. Negotiators have engaged in an examination of the operation of GATT articles related to the trade restrictive and distorting effects of investment measures. Two particular GATT articles are viewed by many participants as being related: those are article III, which requires that imported products be treated no less favourably than like products of national origin, and article XI, which requires the general elimination of import and export prohibitions and restrictions other than duties, taxes and other charges. To the extent that articles III and XI are accepted as being related to the adverse trade effects of investment measures, article XVIII of GATT is acknowledged to provide flexibility for developing countries in their use of those measures.

7. Negotiations have taken place on what further provisions may be necessary to avoid the adverse trade effects of investment measures. However, a considerable distance continues to separate the positions of individual participants. Broadly speaking, some participants favour a case-by-case approach through a trade effects test and dispute settlement. Some favour the case-by-case approach plus the prohibition of local content requirements and certain other investment measures under GATT articles III and XI. And some favour the case-by-case approach plus prohibition under existing GATT articles plus a new prohibition on the future use of export requirements. Where the prohibition of investment measures is envisaged, an element of balance is sought through the provision of transitional periods for eliminating prohibited measures.

8. This divergence of view was reflected in a draft text drawn up by the Chairman of the Negotiating Group in November 1990. Some participants could not accept that text as an agreed basis for final negotiations. Consequently,

a list of four issues requiring the attention of ministers was sent forward to the Brussels meeting. The four issues are: (a) What should be the coverage of a TRIMS agreement? (b) What level of GATT discipline should apply to the use of investment measures? (c) What additional flexibility should be provided to developing countries? and (d) Should an agreement on TRIMS address the restrictive business practices of private enterprises? Those issues were not resolved in Brussels.

Trade-related aspects of intellectual property rights,
including trade in counterfeit goods (TRIPS)

9. The main objectives of the Uruguay Round negotiations on TRIPS, as contained in the Punta del Este Declaration, have been to reduce distortions and impediments to international trade arising in connection with intellectual property rights and to establish a multilateral agreement dealing with international trade in counterfeit goods. These objectives were elaborated by the 1988 mid-term review agreement, by which it was decided that the negotiations would encompass the provision of adequate standards concerning intellectual property rights (IPRs), effective and appropriate means for their enforcement and effective and expeditious procedures for the multilateral settlement of disputes between Governments, as well as strengthened commitments to resolve disputes on TRIPS matters through multilateral rather than unilateral procedures. The mid-term review decision also made clear that the negotiations would be undertaken without prejudice to views on the appropriate institutional framework for the international implementation of the results and that consideration would be given to concerns raised by participants relating to the underlying public policy objectives of their national IPR systems.

10. Two draft agreements were sent to the Brussels ministerial meeting in December 1990. One concerns trade in counterfeit and pirated goods; the other deals with all TRIPS issues. The existence of these two draft agreements is a reflection of the fact that different views continue to be maintained on the question of the relationship to GATT of the results in areas other than trade in counterfeit goods, including arrangements for the settlement of disputes.

11. The main substantive provisions of the draft agreement sent to Brussels dealing with TRIPS as a whole would establish certain general provisions and basic principles, such as national treatment; minimum standards that Governments should provide in the areas of copyright and related rights, trade marks, geographical indications, industrial designs, patents, layout-designs of integrated circuits, the protection of undisclosed information and the control of abusive or anti-competitive practices in contractual licences; and procedures and remedies that should be available, both at the border and internally, for the enforcement of IPRs. The draft agreement on trade in counterfeit and pirated goods would establish in a separate agreement the same procedures and remedies concerning enforcement at the border.

12. Apart from the questions concerning institutional arrangements and dispute settlement already referred to, a number of major issues were not settled and remain outstanding to this day. Some of them concern the level and scope of protection that countries should be obliged to accord to IPRs, notably in the areas of patents, copyright and related rights, geographical indications and undisclosed information. A number of decisions also have to be taken in regard to transitional arrangements, notably their duration for developing countries, including the least developed among them. In regard to enforcement, some concern continues to be expressed about the extent to which due recognition is given to the administrative and financial constraints facing developing countries.
